

CHINA

TO: General DONOVANDATE 18 Sept.

You asked my comments on the attached.

I agree with the writer's statements which, however, are couched in very general terms. However, I do not think paragraph 8 is a particularly good description of the essential characteristics that an agent must have.

o Q. Q. Q.**SECRET**  
Office of the Director

Form 1045

17,480  
*China*  
*reconstruction*  
*reconstruction*  
*Long, E. A.*

12 September 1945

Major General W. J. Donovan,  
Director, Office of Strategic Services,  
Washington, D. C.

Sir:

I am transmitting herewith a memorandum on  
Reconstruction in the Far East, which I hope you will  
find of interest.

I shall be grateful for an early opportunity  
of discussing this and related matters with you as soon  
as you can find the time for an interview.

Respectfully,

*E. A. Long*  
E. A. Long

17,480

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## MEMORANDUM ON RECONSTRUCTION IN THE FAR EAST

1. In the Far East generally, and in China particularly, the U. S. conceivably will be confronted with many postwar problems of the first magnitude. She has emerged from the war as the greatest and strongest of the victorious Powers, militarily, politically, and economically, as well as the staunchest and most formidable champion of human rights and welfare. Thus the nations of the Orient will look to her for leadership in charting and promoting their developments along the democratic path of material and moral progress, especially during the difficult transitional period, wherein exigent issues which have arisen or occurred during the protracted warfare must be faced and adjusted.
2. In China these issues include, among others, the many problems which will arise from the surrender of extraterritoriality and its manifold emanations and privileges, such as foreign administered "settlements" and "concessions", judicial jurisdictions, property ownership, investments, franchises, as well as foreign control and/or participation in greater or lesser degree in such matters as the Customs and Postal services, conservancy work, pilotage, etc.
3. There is a tremendous amount of unfinished business consequent upon the retirement in 1937 of the Chinese Government

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from Nanking to remote Chungking and on the abrupt break after Pearl Harbor in Allied intercourse with occupied China (which included all the most important cities in that country).

4. To ensure an orderly, evolutionary transition from the old to the new as well as to build our relations with the China of the future on secure and abiding foundations, wise counsel from American specialists on the complex and many faceted Chinese problems must be available and utilized.

5. Politically and economically, the new China probably will be seized, at the outset at any rate, with a perfervid nationalism, but it will be the duty of the United States to guide this upsurge of sentiment along the channels of healthy empiricism combined with practical caution as well as along courses which experience has shown to be safe and prudent.

6. This duty devolves on the United States both because of her present and potential hegemony in the Orient, as well as her obligation to protect the vast material outlay from her citizens and government which seems in prospect. Wise and sympathetic, albeit firm, handling of China and Chinese will be essential.

7. Hence the U. S. must have qualified agents (a) to keep unobtrusive watch and ward over developments and the American economic stake in the Far East and report thereon and (b) to guide, instruct, and advise, always in an unostentatious and self-effacing manner.

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8. As conditions sine qua non these agents must be (i) persons who have had wide, varied, and original experience in the country of their respective assignment, including knowledge of its language, and (ii) the ability to ingratiate and "synthesize" themselves with the natives.

*E. A. Long*  
E. A. Long

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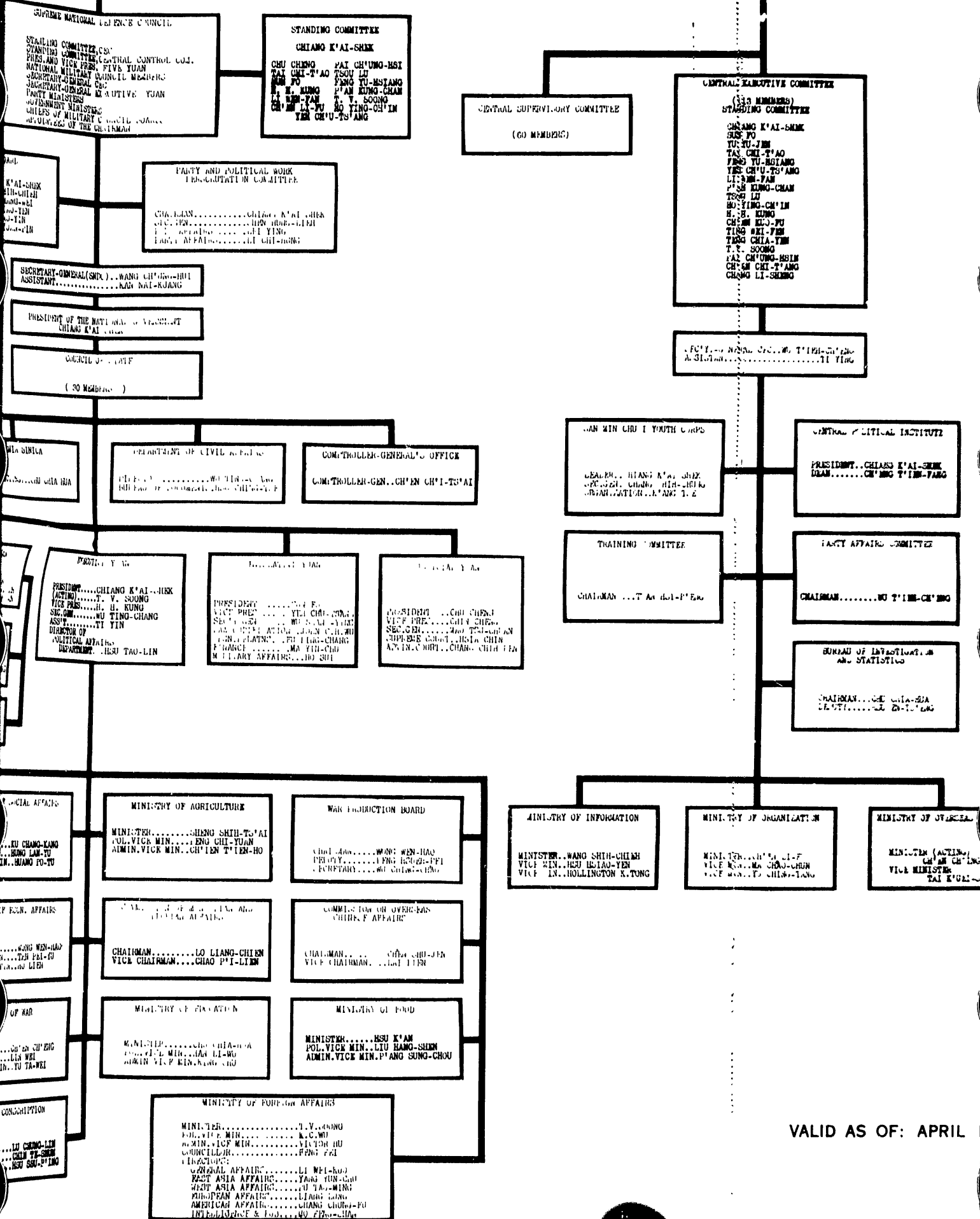




MENT

PARTY LEADER.....CHIANG K'AI-SHEK

PARTY



VALID AS OF: APRIL

7-3 FORM 4001a

Date \_\_\_\_\_

to:

Mr. Shepard  
Gen. Magruder *JAM*

Seen by  
Mr. S.

Office of the Secretariat.

(9199)

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State Dept  
v. 1000  
v. 1000  
v. 1000

**HEADQUARTERS  
OFFICE OF STRATEGIC SERVICES  
CHINA THEATER**

**EYES ALONE**

8 May 1945

APG 870

**SUBJECT:** Colonel Bird and Major Roosevelt's Visit with General Hurley.**TO:** Colonel Richard P. Heppner, Strategic Services Officer, OSS, China Theater, ATG 627.

1. In the morning of Monday, May 7, 1945, the Reception Sergeant at Ambassador Hurley's house called our office and asked to have Colonel Bird and Major Roosevelt drop in to see the Ambassador at noon. (The Sergeant who called did not know definitely what the Ambassador wanted to take up, but he did know that just before making the request, General Hurley had received a message from Ellis Briggs, the Charge d'Affaires. This message had described a meeting, a few days previously, between Mr. Briggs and Major Roosevelt at which the latter expressed his desire to maintain close contact with the Embassy on matters pertaining to political intelligence. Major Roosevelt expressed the belief that items of political intelligence were definitely not the primary business of the OSS in China and yet he pointed out that, because of some of his previous contacts in China and because of the circulation necessary for any intelligence work, material of political interest was bound to come his way. Major Roosevelt then offered to make all matters of this type, which were important enough, available to the Embassy. At the same time, he explained clearly that he was not making it his business to go out and get this sort of thing since that, after all, was the province of the Embassy but that political intelligence as a by-product of his other work might be of interest to Mr. Briggs. Mr. Briggs was in complete agreement and was extremely anxious that any material of this kind of importance be brought to his attention and he pointed out that the OSS was often in a position to get intelligence not available to the Embassy. Major Roosevelt then pointed out that very often his contacts around town were anxious to discuss the politics of China and he explained that under such circumstances his reaction was to stay out of the discussion except to place his support behind the policy of General Wedemeyer and Hurley and consequently behind the Central Government of the Generalissimo. Mr. Briggs agreed wholeheartedly with this treatment of the problem. The conversation concluded on a basis of complete cooperation and understanding.)

2. When Colonel Bird and Major Roosevelt arrived at Ambassador Hurley's office he received us cordially and asked us to stay for lunch. We then sat down and the Ambassador explained that he was going to brief us on the background and present status of his policy in China.

3. General Hurley reminded us of a statement made by Secretary Hull to the Japanese embassies several weeks before Pearl Harbor. At this time, the Secretary of State pledged the undeviating support of the United States for

Colonel Heppner (Eyes Alone)

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the Government of the Republic of China as now constituted. The Ambassador then stated that, before he had come to China, the President had given him a directive which was in full accord with the policy as set forth in Secretary Hull's pledge. This directive was very simple; namely to prevent the collapse of the Chinese Government. This did not mean, as the Ambassador pointed out, support of the Central Government if he found it pure and motivated by the Golden Rule nor does it mean that General Hurley, in execution of this directive, assumes that the Chinese Government is thoroughly honest and blameless. In fact the Ambassador asked for and got the resignation of four cabinet members that were supposed to be corrupt. The Ambassador here made it very clear that he recognizes the many faults of the Generalissimo's regime.

4. Wholehearted devotion to implementing this directive meant that any Americans in China, in responsible positions, who could not reconcile themselves to full support of the Central Government would have to leave. As a result, General Stilwell was ordered home and the resignation of Mr. Causa was accepted. Between thirty and forty officers of the Army Headquarters also had to leave. The Ambassador stated further that for the same reasons, he had been forced to send John Service, John Davies, and George Acheson back to the States.

5. In order to high-light the extreme danger of not following this directive completely, not only in the activities of the Embassy but also in connection with the Army Headquarters, General Hurley gave an account of certain difficulties arising from the Barrett Mission to Yenan. He recalled how he, himself, had gone to Yenan previously and both there and in Chungking made a good start towards bringing the two factions within China together. He even stated that he had had in his possession a signed agreement from Yenan to some of the terms proposed by the Central Government. Then without his knowledge, the Barrett Mission went into the Red area in order to formulate a plan for the cooperation of American Forces with the 8th Route Army. This plan became known to the leaders in Yenan whereupon they assumed that they would be able to obtain American support without complying with the terms of the agreement which they were in the process of making through Ambassador Hurley with the Central Government. In fact the immediate effect of the disclosure of this plan in Yenan was to make the Communists drop General Hurley and the Central Government like a "hot brick", raise their demands, and turn hopefully towards the American Mission. When John Davies, who had been with the Mission, returned to Chungking, the Ambassador asked him what had gone on, whereupon Davies told him he could not tell the Ambassador because it was a military secret. Whereupon to use the Ambassador's words, he "became a little rough in his language". At this juncture the Ambassador sent a cable report through Washington in which he blamed the Barrett Mission for having first of all, discussed this plan with the Chinese Communists and secondly, for having thus effectively broken down the negotiations which were going on between the Communists and the Central Government. After exhaustive investigations in which the members of the Mission were questioned at length, it was established that the latter were simply acting under the orders of the Chief of Staff, General McClure.

6. On his return to the States in December, 1945, the Ambassador received

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a telegram signed by Mao Tse Tung, Chen Yi Lai, and Chu Teh urging him to have the President accept a delegation from the Chinese Communists to the San Francisco Conference. Ambassador Hurley's cabled reply to them was, in effect, that this was not to be a conference of political parties, but a conference of nations, and that therefore the Communists should make application through the Central Government to have their delegation dispatched. The Ambassador then convinced the President that he should send a message to the Generalissimo suggesting to him that he make up the delegation from China to the Conference of members of all parties including the Kuomintang and the Communists on a basis of full equality. (At this point the Ambassador reached into his pocket and produced his billfold, showed us a copy of this wire which he told us he had written, and then told us we should never say that we had seen it.) The Ambassador then pointed out that in view of ensuing events, it was quite apparent that this suggestion was taken. His feeling was that this indicated good progress towards the settlement of the Communist dispute, on two points in particular: first - the Central Government had recognized de facto the Communist Party as a party; secondly - the Communist Party had recognized de facto the Central Government as the Government of China. General Hurley admitted to having wisecracked unwisely when he heard Senator "Happy" Chandler's statement that "only a miracle" will save the Chinese Government. The Ambassador sent a message back that the "miracle men" were at work. He points out now that he was lucky to have said "men".

7. General Hurley pointed out in conclusion that he had succeeded fully in executing his directive from the President which was to prevent the collapse of the Government of China. He made it quite clear that he expected all American government personnel in China to assist in the implementation of this policy and that, particularly in view of this, no one should make deals or promises with War Lords or Communists, or in fact with anyone opposed to the Government of the Republic of China as it is now constituted.

8. The Ambassador ridiculed the idea which he had heard put forth several times recently about supposed agreements reached between the Generalissimo and the Japanese. The Ambassador pointed out that a government which did not negotiate surrender with the Japanese when the latter were on top of the world and when the Chinese had no powerful allies, would scarcely make arrangements to knuckle under now. He went on to describe an incident which, in his opinion, very clearly gave the measure first, of the dishonesty of certain Chinese Communists and secondly, of the complete unreliability of these peace reports. He had received a collection of documents from Yanan describing a contact between a certain individual in Shanghai and Ex-Premier Kameyama of Japan. The former had a son who was a friend of a man who held some official position in Chungking. General Hurley indicated that there was not much more meat in the report than this and yet it was interpreted by the Reds and by certain of his staff as proof of negotiations between the Generalissimo and the Japanese. Furthermore, these documents were accompanied by a personal letter from Chu Teh to him, as he put it "covered with big red seals", in which the Communist leader declared that it was lamentable that America had been so utterly betrayed by her Ally, the Central Government, and that America had only one friend left in China, namely the Chinese Communists, and "please quickly

Colonel Heppner (Eyes Alone)

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send twenty million dollars and supplies." The Ambassador characterized this whole business as a low and transparent fraud.

9. General Hurley stated that in 1943, he had told General Marshall that the MIS, and G-2 were no good and that the OSS would be the greatest of all the organizations born of the War. He then urged strongly that the Chief of Staff take General Donovan, make him a Major General and put him in charge of G-2. During his recent visit to the States the Ambassador was told by General Marshall that his suggestion of two years previously had been correct and that the OSS had a remarkably good record and that he had been prevented from taking Hurley's suggestion only by strong opposition around him. The Ambassador expressed a deep friendship for General Donovan and a strong admiration for his organization.

10. After lunch just before Colonel Bird and Major Roosevelt left, the Ambassador asked that either or both of them always feel free to come to see him without an appointment and that he would be most grateful for any items of information of potential value to him which might come our way.

*Quentin Roosevelt*  
 QUENTIN ROOSEVELT  
 Major, Infantry  
 Chief, AI, Det. 203

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Comments

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**SECRET**Chinese 16, 898  
REGISTRY NO. YBO-18

HEADQUARTERS  
OFFICE OF STRATEGIC SERVICES  
CHINA THEATER  
APO 627

currency

12 May 1945

SUBJECT: Transmittal of Chinese Currency

TO : The Director, Office of Strategic Services, Washington, D.C.  
Attention: Mr. Charles S. Cheston.

1. Enclosed are nine (9) Chinese Notes which we have collected in response to your cabled request. I do not think any of these are types specifically named in your cable, but perhaps they will be of some use.

2. We are continuing our efforts to get the required types and will pouch them to you as soon as we get them.

FOR THE STRATEGIC SERVICES OFFICER:

Richard L. Farr  
RICHARD L. FARR  
Major, AUS,  
Executive Officer

Enclosures: Nine (9) Notes Chinese Currency.

Distribution:

- 2 - Washington
- 2 - Registry 627
- 1 - Chungking files

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MM 53 10 11 MM 42  
DIRECTOR'S OFFICE

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**SECRET**

To: Col. Buxton

For examination and comment.

W.J.D.

May 16, 1945  
 An interesting report and confirms  
 what I have been told about  
 12 May 1945  
 Yenan military operations against Japs.  
 Confirms feeling that "open door"  
 in China invites any first to  
 come in and help himself -

Director's Office

OSS Form 3054  
 (3308)

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J.B.

088 Form 2107

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16,787

China

FROM

K. Nellenburg

## ROUTING AND RECORD SHEET

Accession No. ....

Date Rec'd. SA.....

5-9-45

X

To	Room No.	Date		Officer's Initials	Comments
		Rec'd.	Fwd'd.		
1. Mail Room				MY	By Courier
2.					To Col. Buxton
3. Mr. [unclear]	119	5/15	5/16	YB.	for [unclear]
4.					9. [unclear]
5.					
6.					
7.					
8.					
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Each comment should be numbered to correspond with number in To column.

A line should be drawn across sheet under each comment.

Officer Designation should be used in To column.

Each officer should initial (check mark insufficient) before further routing.

Action required or action taken should be indicated in Comments column.

Routing sheet should be returned to Registry.

For further details see the separate sheet.

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OFFICE OF STRATEGIC SERVICES  
WASHINGTON 25, D. C.

16-787.  
China  
SECRET, not to be released

8 May 1945

TO: Director, OGS  
FROM: Far East Division, SI  
SUBJECT: Transmittal of Report by Bernhard Knollenberg

As you may have heard, I sent in a series of reports during my trip to the Far East. I have had a note from Whitney Shephardson suggesting that I send you my report of 31 March 1945 from Kunming. This report is attached.

B. Knollenberg  
Bernhard Knollenberg  
Div. Dep., Far East, SI

Attachment

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Kunming  
March 31, 1945

From: B. K.  
To: McB.  
Subject: Talk with Retired Chinese Business Man and Scholar

1. This morning Mr. X, the retired Chinese business man and scholar whom I had hoped to see in Kunming, gave me a two-hour interview. He was more frank than I dared hope. He speaks exquisite English, so that no interpreter intervened. He has declined to permit me to give his name\*, but top Chinese and Americans tell me that his reputation for knowledge, integrity, and acumen is of the highest.

2. Soong-Kung. My first question was to the significance of the recent elevation of Soong, (who, I know, had been a former business associate of X) at the expense apparently of Kung. X said that Soong's appointment must not be construed as conferring any real political power on Soong, as is shown by the following:

(a) The limitation of his appointment by the designation "Acting", thus permitting General Chiang (as X called him - I shall hereafter refer to him as C.) to drop S. merely by saying that the easing off of his, C's, other duties permitted him to resume his work in the Executive Yuan, and, even more important (b) Soong's refraining from appointing any of his friends to political office - appointments which he assuredly would have made had he been given any substantial measure of power.

\* X has invited me to spend the day in the country with him on my return from Chungking and I hope at that time to secure his permission to give his name to General Donovan. I also expect to question him further then in the light of information I hope to pick up in Chungking.

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X said the immediate circumstances leading to the retirement of Kung and the appointment of Soong were as follows: C. had for some time been disturbed by the general distrust of Kung in China, arising out of the general belief that he has been using his office to profiteer, and by reports that President Roosevelt (whom I shall refer to as the P.) was exasperated by Kung's profiteering. Nevertheless, Kung might have been permitted to continue in office because of his power in the Kuomintang had not pressure of a different sort come into play. Kung was detested by the war-lord governors of Yunnan, Szechwan and Shensi (the part not controlled by the Communists) because he was using his power in the Central Government to compete with them in profiteering within their provinces. Drawn together in their common hostility to him, they had entered into negotiations with the Communists in Yenai (whom I shall hereafter call the Yenaiists) to make common cause against C. C. learning of this got rid of K. to avert a move which would, of course, have had the gravest consequences for him, C.

Soong was appointed in Kung's place because (a) C. has the impression that S. enjoys the P's confidence and C. appreciates that his continuance in power may be dependent on the support of the U. S., and (b) Soong has only a small personal following so that C. can at any time remove him without possible serious repercussions within the Kuomintang - the possibility of unfavorable reaction abroad being the sole consideration to be taken into account.

1. Soong's character. I said to X that Soong was reputed in the U. S. to have democratic ideals and asked whether he thought Soong (in spite

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of his weak position as just described) would be able to promote a trend towards democratic measures by the Central Government. He answered "No". He said that Americans who thought Soong might promote democratic measures misunderstood not only the extent of his influence but also his "idealism." He said that as a result of his education in the U. S. and his connections there, S. had come to have superficial taste for Democracy in somewhat the same fashion as he had come to enjoy American cooking and the theater in America, but that he was without a sense of strong principle in the matter and might not even bother, much less make a determined stand, to secure the introduction of democratic measures.\*

4. Soong's tenure of office. I asked X if he thought Soong would continue in office long. He said he would be inclined to guess, No, because C. and S. had a deep-seated hostility to each other, that each was extremely hot-tempered and rude and that some point of power, prestige or judgment would arise on which they would clash with such heat as to lead C. to dismiss S., even when, as a matter of self-interested window dressing - for the P., particularly - it would be advantageous for C. to retain Soong.

5. Possible Successor. I asked X who he thought would be Soong's successor if S. were eliminated and whom he <sup>X,</sup> would like to have succeed. As to the first point he said he could not attempt even a guess, and that, as to the second point, he was chagrined to say no political figure had arisen in China who had inspired him or others interested in securing a non-corrupt and more democratic government in China with confidence. I said that some of my acquaintances in the U. S. had a notion that Sun-Fo might be qualified

\* You will note that his estimate of Soong is less favorable than that which Chennault gave me yesterday and which I reported.

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to lead the forces of honesty and democracy in China. He said that this, unfortunately, was not the case; that Sun had, in each successive post he held, proved to be lacking in forcefulness and executive ability; and that, based on a long and close acquaintance with him, he, X, thought it unlikely that Sun could ever be a successful leader or administrator; that he was essentially an academic person who had made some progress politically because he was the son of his father and because he (unlike Soong) is a true idealist with the courage to stand up for his convictions, thus relying to his support sentimentally the Chinese liberals who had lost confidence in the integrity of purpose of Soong.

6. Madame Sun. I asked X if Madame Sun carried much weight in China. He said not as much as might superficially appear; that <sup>while</sup> a sort of traditional veneration was paid to her name, this was at best nominal among all except the Russian -- as distinguished from Yenan -- variety of Communists, because she was generally regarded as a mouthpiece of the Soviet Government.

7. Yenan. I told X I wished to ask him his views on the Yenanists and their relations to the Central Government and suggested this might be a good point at which to discuss these matters. X said I doubtless had been informed that, while the Yenanists presumably maintained contact with Russia in the hope of securing aid from here, the rank and file of the Yenanists and probably even the leaders were not in favor of the state ownership of productive property, at this stage and that, while the Chinese do not lay so much stress on individual ownership of property, they have an intense yearning for family ownership and that he, X, has observed no significant trend anywhere in China for an abandonment of the private ownership of property -- the only trend being towards the dividing up of the large landed estates among the peasantry working the land.

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X said that the clash between Yanan and the Central Government was not ~~primarily~~ <sup>only</sup> over conflicting ideologies but because of the bitter hatred and distrust among the Yanan leaders for C. and his satellites arising out of their conviction that C. and those close to him had betrayed the Yananists; that, after having secured them help to overthrow C's opponents, C had butchered many of them and driven the rest into exile. X said that C. and the Yanan leaders were aware that there could be no compromise between them; that any compromise would necessarily involve the yielding of some measure of control over the Yanan army to C. and that the hatred and distrust of C. by the Yananists was too deep-seated for them to permit this as long as C. or his immediate circle remained in power. X said that the "negotiations" were from first to last recognized by all informed Chinese as a parade participated in by both sides because each is eager for U. S. support and each feared that if it declined to participate it would jeopardize its standing with the U. S.

H. Choice. I asked X which of the two sides he would be inclined to support if he were an American. He said it was something of a toss up, but that, on balance, he thought our best bet was on the Central Government if it should be necessary to make a choice. His grounds for these views were as follows:

(a) From what he has heard (X has not been in Yanan) he thinks it probable that the Yanan government is less corrupt than the Central Government, and is more democratic in the sense, though solely in the sense, that a larger proportion of those governed are permitted to participate in making political decisions, which, however, when made, are carried out ruthlessly, with no further opportunity for discussion or review. On this score, therefore, the Yanan government would have the stronger claim to U. S.

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support. But, more than offsetting this, is the fact that C. is using a large part of his resources in fighting Japan - has indeed sacrificed so large a part of his army, that, without U. S. support, he would possibly not now be a match for Yen-an - whereas, for more than two years, the Yen-anists have fought the Jap only to the limited extent necessary to capture Japanese equipment and munitions with which to strengthen their army facing C. The Yen-anists have, it is true, occupied former Japanese-held territory, while C has lost territory to Japan, but this, says X, is because the Yen-anists have moved, virtually without opposition, into territory which was strategically unimportant to the Japs and has been virtually abandoned by them in order to concentrate their strength on fighting the British, the U. S. and the Chinese Central Government. \* At this point X asked me to recall that what he said about the Yen-anists was sheer, hearsay, since he had no first-hand source of information concerning them.

X added, anticipating a question I was about to ask, that the common allegation that C had stationed his good troops on the Yen-an front, using only his second or third rate troops against the Japs was untrue; that several of the armies sent by C against the Japs during the last year were considered to be among his best, and that it had been a frightful shock to C, no less than to all patriotic Chinese, that the Japanese had defeated them so badly.

9. Kung-Saong, again. I asked X if he thought there was any choice, from the American standpoint, between Soong and Kung. He said, Yes, decidedly in favor of Soong, because (a) Soong's strength in China, such as it is, lies in his supposed good relations with the P., with the result that he

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\* These statements were particularly interesting to me because they so closely confirmed the views concerning the Yen-anists activities against the Japs expressed by Chennault yesterday and which I had not heard developed in Washington.

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must, as a matter of personal prestige, act in close cooperation with the U. S., whereas Kung, with a personal secret service and a considerable band of political henchmen, has a strong, independent position which would make it possible for him to break with the P and yet maintain a position of influence here; (b) Soong's knowledge of foreign affairs is superior to Kung's and his general knowledge and intelligence is at least equal to Kung's; (c) it is important that there be a man near C. who will not hesitate to point out his errors or possible errors in judgment; Soong is such a man, while Kung is not. (X referred to his previous guess that Soong would probably not be permitted to remain in office indefinitely, but said that as long as he was in, his opinions would be brought home to C.); (d) Soong's use of official information to enrich himself has probably been within the bounds of Chinese custom, whereas Kung has been outrageous in his abuse of his official position even according to Chinese political standards; and (e) Soong, on taking office has made a move towards administrative reform by securing the dismissal from office of a horde of holders of government sinecures whom Kung had permitted to feed at the government trough.

I asked X if this last fact was not somewhat inconsistent with his earlier statement that Soong did not have the stamina to stand up for democratic ideals. X said he thought not; that his skepticism was not as to Soong's courage but as to the strength of his democratic ideals; that the dismissal of useless employees was the action of a good business man who, unlike Kung, was not intent on maintaining a political machine.

18. Soong's lack of following in China. I asked X for his explanation of Soong's lack of following in China. He said that Soong had made no

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effort to build up a political machine similar to those of Kung and some other Chinese politicians and that, while Soong had at one time had the support of the liberals in China, they had by now lost faith in his integrity of purpose and his following was limited to a few old personal friends such as my friend Fu Cheng. He said that, of course, Soong had economic power because of the wide ramifications of his investments in China, but that such power was precarious in China today, because the Central Government was so corrupt that a business man in China had, in final analysis, to rely largely on his influence "at court", i.e. within the Kuomintang - where Kung's influence was strong and Soong's relatively weak.

12. Madame Chiang. I said that Americans had been extremely curious about the course of the apparent break between C and Madame C. X said there had been various guesses current in China concerning this. He says his own guess is as follows: While Madame C was in America, C saw a great deal of an old friend of his, A,\* whom Madame C disliked and who fully reciprocated this dislike. A's dislike of Madame C extended to the whole Soong family and he took advantage of this opportunity to press home to C that, with Madame C as the focal point, the Soong family and a Soong son would fall heir to C's position in case of C's death, whereas C owed his first duty to his own blood, especially his elder son. C was thus influenced along this line because of his natural resentment at the increasingly dictatorial tone which Madame C had assumed towards him before she left and which was likely to be aggravated by the head-turning

\* X mentioned the name to me, but I was not familiar with it, did not catch it, did not wish to interrupt him and forgot to ask him about it later. Probably Judge Allman or Col. Mollugh can make a good guess as to whom X mentioned.

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reception she had received on her own account (not merely as C's wife) in America. X said he presumed that even an American husband would have found this situation highly unpleasant and that <sup>to</sup> a husband in China (where "face" and the subordination of the wife are both vital conceptions) the situation was almost intolerable.

I asked about C's sons. X said he did not know the younger son; that he knew the elder and considered him a nice enough person, but that he had little force of character, a mediocre mind and a less than mediocre education except along military lines.

12. China's Future. I asked X whether he was hopeful of China's immediate future after the war, politically and economically. He said, No, that on the contrary, he thought the outlook was very discouraging. He said that friends of China like myself, who had known it twenty or thirty years ago, when the intellectual liberals were well consolidated, hopeful and vigorous, could hardly conceive the deterioration that had taken place within this then promising group; that, in addition, there had been a tragic disintegration in the ethical principles of the whole top layer of Chinese society; that though the Chinese farmers, who luckily constitute the mass of the population, retain the standards of business integrity that once characterized China as a whole the financial and political success that had been achieved by leading men in China during the past ten or fifteen years by chicanery, breach of promises and corruption had contaminated most persons in government service and a large proportion of men in business. So, said X, China will start on the road to reconstruction, crippled by impaired ethical standards among those in positions of leadership.

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Furthermore, the cleavage between the two unifying elements in China - the Central Government and Yen-an - is so unbridgeable, that China will be torn by strife between these two opposing forces, with the result that the provincial governors may retain or recover virtual autonomy in their respective provinces. Of course, the Yenaniats may develop such great strength as to gain control over the whole of China as the Moscow government was able to do in Russia, but, X pointed out, there were no such firmly entrenched dictators in Russia, after the disintegration of the Czarist government, as exist in a number of the Chinese provinces.

13. Foreign Intervention. I asked X whether, in view of his pessimistic outlook on China's future, he would look with favor on foreign intervention. He said his answer would, of course, depend on the kind of intervention that might be in prospect; that if a League of Nations along the Wilson ideal could be established under the P's influence and the American people could be persuaded to assume their share of a long and highly expensive policing of the whole of China - and not just a few coastal and Yangtze cities - he would welcome that kind of intervention to help promote unity, honest government, and industrial development in China. But that temporary dabbling in Chinese political affairs, whether by single or united foreign intervention, would obviously be of no little or no benefit and might easily prolong the period of Chinese disintegration.

X said a possible practical alternative might be for the foreign powers to agree that private capital should not be permitted to make investments in China except under controls established by an international financial

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organization operating under the jurisdiction of the interested governments. By controlling the flow of investments, whether in the form of direct investments or loans, so as to favor those regions dominated by honest and, according to Chinese standards, democratic governments, these governments would in the course of time be stabilized in the regions initially held by them and would probably in time absorb contiguous regions whose inhabitants would naturally exert pressure to come within the jurisdiction of a better-governed, more prosperous neighboring government. Eventually, economic and sentimental impulses would tend to bring these relatively well-governed provinces together into some form of federal relationship.

14. Democratic Government. I asked X what his conception of a "democratic" government for China would be. He said he had not formulated his ideas beyond the general one that there must be a rather wide base of suffrage with machinery designed to secure a fair count and with elections at fixed intervals.

15. Stettinius. X asked me only one question (other than about a couple of mutual friends) namely, whether I thought Stettinius had a friendly feeling for China. I told X I had not heard Stettinius mention China for over a year and a half, but that, when I was his Deputy in Lend-Lease he had had a very friendly feeling for China and had done everything in his power to secure a maximum of lend-lease aid for China - a truthful statement.

Note:

Turner: Don't get the impression from my report of Chennault's and X's views as to the Yenaniists not fighting Japan that I have become lukewarm about getting intelligence by cooperating with Yenani. The Yenaniists

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might be an even better <sup>just</sup> ~~source~~ for intelligence if they are not fighting  
the Japanese than if they are.

SECRET

TRANSLATION OF LETTER TO GENERAL DONOVAN

HQ 18th GROUP ARMY

January 23, 1946

General Donovan

Sir:

In view of the desirability of contributing to the defeat of the enemy by undertaking subversive activities among puppet troops, we make the suggestion that we borrow from the U. S. Army the sum of U. S. \$ 20 million to be used in strengthening subversive activities among puppet troops this year (1946).

After this money shall have been used, we should make strict accounting to the U. S. Army.

After victory against Japan is achieved, this army (18th GA) will repay the money used.

Should you agree to this proposal, gratitude will know no bounds.

Profoundest respects,

a/ Chu Teh  
Commanding General  
18th Group Army

(Seal)

16, 25, 0  
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貴軍一俟對日戰爭勝利結束後，由本軍員  
使用後，送出決算通知

有力的加強對偽軍的破壞工作，此項借款當於  
貴軍前借美金數千萬圓，以便於今年（一九四五年）

為了破壞偽軍，戰勝敵軍的目的，我們擬向

瑞統大將軍閣下

瑞統大將軍閣下  
敬啟者：貴軍前借美金數千萬圓，以便於今年（一九四五年）

一九四五年七月二十七日  
瑞統大將軍閣下

瑞統大將軍閣下  
敬啟者：貴軍前借美金數千萬圓，以便於今年（一九四五年）

瑞統大將軍閣下  
敬啟者：貴軍前借美金數千萬圓，以便於今年（一九四五年）



第一集 國朝詩人朱信

朱信

前以奉題敬頌

貴體達知蒙允諾不勝感激之至

SECRET1945 PROJECT AND BUDGET FOR UNDERMINING AND BRINGING  
OVER PUPPET FORCES

1. In 1945 the work of winning over and undermining of the puppets should be strengthened in order to achieve victory over Japan more quickly and effectively. Experiences in the work of undermining the puppet forces in the War of Resistance have proved that this kind of work can serve also as a bridge to undermine or win over the Japanese as well as an effective measure for cutting their collaborators from under them.

In China today there are about 900,000 puppet troops of which 410,000 are regulars and 490,000 puppet local forces. From these figures it is clear that the expanded puppet army is a very powerful force assisting the Japanese. The following plan for 1945 has been drawn up with the aim of winning over and undermining part of the puppet forces.

2. The measures in the project consist of:

- a) Using financial measures to buy over puppet forces and through political measures to win over puppet forces.
- b) To use the puppet forces to carry out sabotage work against the Japanese Army.

According to still incomplete data from all our bases in 1944 our forces have achieved in bringing over by political measures the following puppet forces:

STATISTICS ON WON-OVER PUPPETS  
IN VARIOUS LIBERATED AREAS

Area	Number of Men	Number of Rifles (Side-arms)	Light and Heavy MG	Knee Mortars	Field Pieces
Shantung	11,987	6,540	122	109	26
Shansi-Hopei-					
Shantung-Honan	5,821	3,909	60	32	12
Shansi-Suiyuan	932	550	8	10	3
Shansi-Chahar-Hopei	1,024	620	13	11	1
Central China	14,075	8,314	134	121	18
South China	328	226	6	5	0
Total .....	34,167	20,159	343	288	60

Note: The Shantung figures include 667 puppet sailors who brought over with them one 3,000 ton ship, 1 gunboat, and 1 #23 gunboat, the Er Sheng-li.

The 34,167 puppets turned over constitutes approximately 3.8% of the total puppet forces in China.

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It is estimated that in 1945 the continued victories of Allied forces, as the Japanese position becoming more critical and the intensive military and political offensive against the Japanese and puppets by our armies behind the enemy lines, will contribute to the increasing disintegration and wavering of the puppet forces. These conditions will facilitate our work along these lines.

From the above conditions it is estimated that the puppets to be won over by political measures can be increased to about 5%, or 45,000. If in addition to this, financial help from the United States Army is available then, with using money to buy over puppets, another 5% can be brought over. Thus in 1945, using both political and financial measures, it is possible to win over and buy over 10% of the entire puppet force, about 90,000. And this figure is given as the basis for the budget estimates.

2. The budget is divided into two parts:

- a) Budget for buying and winning over puppets (political and financial measures).
- b) Reserve Fund.

### B U D G E T

<u>Item</u>	<u>Amount in dollar</u> <u>Dollars</u>	<u>Note</u>
Expenditure for operational and administrative work. (Secret activity among puppets including buying intelligence, liaison and working personnel) .....	\$ 7,000,000	For work among 50 puppet divisions. (90,000 men)
Payments for puppet officers and staff members coming over .....	1,445,000	
Payments for arms and equipment brought over .....	893,000	
3 months' allowance payments to puppet troops after coming over .....	4,800,000	Based on original salaries and allowances
Reserve Fund .....	5,000,000	
Total .....	\$19,738,000	

The above items are explained in detail as follows:

The first item. Whether using political or financial measures, before the puppets come over a fund is necessary to work among them, buy information, administrative expenses and funds for personnel doing this work. The amount is set provisionally for \$300,000 for each division.



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The second item. Expenditure for comfort and awarding fee to officers and staff members coming over, (on the basis of ten divisions), mainly through financial measures, are estimated as follows:

<u>Rank</u>	<u>Number of Officers</u>	<u>Award Per Man</u>	<u>Total</u>
Squad Commander	3,000	\$ 30.00	\$ 90,000
Platoon Commander	1,000	80.00	80,000
Company Commander	300	250.00	75,000
Battalion Commander	100	800.00	80,000
Regimental Commander	30	3,000.00	90,000
Division Commander	10	10,000.00	100,000
Sum Total .....			\$515,000

Expenditure for comfort and awarding fee to officers of the other ten divisions brought over mainly through political measures, will be one-half of the above sum, \$260,000.00.

All deputy officers and staff members regardless of whether they are brought over through political measures or financial bribes, are to be awarded according to their rank. In that the number of such personnel differs with each unit, expenditure for this is provisionally set at \$670,000.00.

Thus expenditure, inclusive of all these points under the second item, amounts to \$1,445,000.00.

The third item. Expenditure for payment for arms and equipment brought over by the ten divisions (coming over mainly through financial bribing) are listed as follows:

<u>Kind of Arms &amp; Equipmt</u>	<u>Number</u>	<u>Price Payment</u>	<u>Total</u>
Rifles	22,500	\$ 20.00	\$450,000
Side arms	600	20.00	12,000
Knee Mortars	300	50.00	15,000
Light MG	300	50.00	15,000
Heavy MG	150	120.00	18,000
Trench Mortars	120	100.00	12,000
Mountain Artillery	40	1,000.00	40,000
Radio Sets	40	200.00	8,000
Telephone Sets	400	20.00	8,000
Sum Total .....			\$593,000

Proper amount of award will be given proportionately for arms and equipment other than those contained in the above list. Arms and equipment brought over by the other ten divisions through political measures mainly are to be awarded one half of the amount set above. The expenditure for third item amounts to \$893,000.

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The fourth item. This is to be used as follows:

- a) After the puppets come over and are reorganised they are to be paid at their original salaries and allowance for three months' duration.
- b) Expenditure for giving them necessary supplementary clothing and material needed.
- c) To soldiers coming over comfort gifts will be given.
- d) Subsidies when necessary for helping out or resettling puppet families.

Expenditure for this purpose per division per month is estimated at \$20,000.00, making the total for three months (on the basis of 20 divisions) \$4,800,000.00.

The total for the four items listed above amounts to \$14,738,000.00. The figures listed above for payments to men or for equipment brought over will be regulated and adjusted in practice to suit the existing circumstances. Accounts will be given for amounts used.

The fifth item. Reserve Fund. This is to be used for the following purposes:

Since great possibilities present themselves for sabotage and demolition work through using puppets for destruction of such things as hangars, airfields, aircraft, military depots, arsenals, and military factories, mines, railway stations, bridges, wharves, ships, trucks, tunnels, block-houses and various other military installations, this can be put to use. Such work of course should be carried out according to the needs of military operations. It is impossible to draw up a concrete plan and budget at present. Money will be taken out from the reserve fund as required for this purpose on an accounting basis.

Expenditure for using puppet officers or soldiers to assassinate Japanese officers of the Army, Navy and Air Forces is also to be taken out of the Reserve Fund.

In the course of the work listed in buying over puppets, there will probably be emergency or extraordinary expenses which cannot be foreseen and which will have to be drawn from the reserve fund.

<u>Summary:</u>	Budget for work on Puppet Armies	\$14,738,000.00
	Budget for the Reserve Fund	<u>5,000,000.00</u>
Total .....		\$19,738,000.00

## OVER PUPPET FORCES

1. In 1945 the work of winning over and undermining of the puppets should be strengthened in order to achieve victory over Japan more quickly and effectively. Experiences in the work of undermining the puppet forces in the War of Resistance have proved that this kind of work can serve also as a bridge to undermine or win over the Japanese as well as an effective measure for cutting their collaborators from under them.

In China today there are about 900,000 puppet troops of which 450,000 are regulars and 450,000 puppet local forces. From these figures it is clear that the expanded puppet army is a very powerful force assisting the Japanese. The following plan for 1945 has been drawn up with the aim of winning over and undermining part of the puppet forces.

2. The measures in the project consist of:
- a. Using financial measures to buy over puppet forces and through political measures to win over puppet forces.
  - b. To use the puppet forces to carry out sabotage work against the Japanese Army.

According to still incomplete data from all our bases in 1944 our forces have achieved in bringing over by political measures the following puppet forces:

STATISTICS ON WON-OVER PUPPETS IN VARIOUS  
LIBERATED AREAS

Area	Number men	Number of Rifles Side-arms	Light and Heavy MG	Knee Mortars	Field Pieces
Shantung	11,907	6,540	122	109	26
Shansi-Hopei-					
Shantung-Honan	5,821	3,909	60	32	12
Shansi-Suiyuan	932	860	2	10	3
Shansi-Chahar-					
Hopei	1,024	620	13	11	1
Central China	14,075	8,314	134	121	18
South China	222	222	6	5	0
Total	34,167	20,150	345	288	60

Notes: The Shantung figures include 667 puppet sailors who brought over with them one 3,000 ton ship, 1 gunboat, and 1 No. 23 gunboat, the Nr Sheng-11.

The 34,167 puppets turned over, constitutes approximately 3.6% of the total puppet forces in China.

It is estimated that in 1945 the continued victories of Allied forces, plus the Japanese position becoming more critical and the intensified military and political offensive against the Japanese and puppets by our armies behind the enemy lines will contribute to the increasing disintegration and wavering of the puppet forces. These conditions will facilitate our work along these lines.

From the above conditions it is estimated that the puppets to be won over by political measures can be increased to about 5%, or more. In addition to this financial help from the United States is available, then, with using money to buy over puppets.

## PAYMENT

Rifles	22,500	20.00	450,000
Sidewalks	600	30.00	18,000
Knee Mortars	300	50.00	15,000
Light MG	300	50.00	15,000
Heavy MG	150	120.00	18,000
Trench Mortars	120	100.00	12,000
Mountain Artillery	40	1,000.00	40,000
Radio sets	40	200.00	8,000
Telephone sets	400	20.00	8,000

SUM TOTAL 593,000

Proper amount of award will be given proportionately for arms and equipment other than those contained in the above list. Arms and equipment brought over by the other ten divisions through political measures mainly are to be awarded one half of the amount set above. The expenditure for third item amounts to 893,000 dollars.

The Fourth Item: This is to be used as follows:

1. After the puppets come over and are reorganized they are to be paid at their original salaries and allowance for three months duration.
2. Expenditure for giving them necessary supplementary clothing and material needed.
3. To soldiers coming over comfort gifts will be given.
4. Subsidies when necessary for helping out or resettling some puppet families.

Expenditure for this purpose per division, per month, is estimated at 20,000 dollars, making the total for three months (on the basis of 20 divisions) 4,800,000 dollars.

The total for the four items listed above amounts to 14,738,000 dollars. The figures listed above for payments to men or for equipment brought over will be regulated and adjusted in practice to suit the existing circumstances. Accounts will be given for amounts used.

The Fifth Item: Reserve Fund. This is to be used for the following purposes: Since great possibilities present themselves for sabotage and demolition work through using puppets for destruction of such things as hangars, airfields, aircraft, military depots, arsenals, and military factories, mines, railway stations, bridges, wharves, ships, trucks, tunnels, block-houses and various other military installations, this can be put to use. Such work of course should be carried out according to the needs of military operations. It is impossible to draw up a concrete plan and budget at present. Money will be taken out from the reserve fund as required for this purpose on an accounting basis.

Expenditure for using puppet officers or soldiers to assassinate Japanese officers of the Army, Navy and Air forces is also to be taken out of the reserve fund.

In the course of the work listed in buying over puppets there will probably be emergency or extraordinary expenses which cannot be foreseen and which will have to be drawn from the reserve fund.

Summary: Budget for work on Puppet Armies	14,738,000 dollars
Budget for the Reserve Fund	5,000,000 dollars
Total	<u>19,738,000 dollars</u>

- the budget is divided into two parts:
- Budget for buying and winning over puppets (political and financial measures)
  - Reserve Fund

**BUDGET**

<u>Item</u>	<u>Amount in Gold Dollars</u>	<u>Note</u>
Expenditure for operational and administrative work. (secret activity among puppets including buying intelligence, liaison and working personnel) .....	7,600,000	For work among 20 puppet divisions (90,000 men)
Payments for puppet officers and staff members coming over .....	1,445,000	
Payments for arms and equipment brought over .....	893,000	
3 months allowance payments to puppet troops after coming over ...	4,800,000	Based on original salaries and allowances.
Reserve fund .....	5,000,000	
<b>TOTAL</b>	<b>19,738,000</b>	

The above items are explained in detail as follows:

The first item: Whether using political or financial measures, before the puppets come over a fund is necessary to work among them, buy information, administrative expenses and funds for personnel doing the work. The amount is set provisionally for 380,000 for each division.

The second item: Expenditure for comfort and awarding fee to officers and staff members coming over, (on the basis of ten divisions) mainly through financial measures, are estimated as follows:

RANK	NO. OF OFFICERS	AWARD PER MAN	TOTAL
Squad Commander	3,000	30.00	90,000
Platoon Commander	1,000	80.00	80,000
Company Commander	300	250.00	75,000
Battalion Commander	100	800.00	80,000
Regiment Commander	30	3,000.00	90,000
Division Commander	10	10,000.00	100,000

Sum Total

Expenditure for comfort and awarding fee to officers of the divisions brought over mainly through political measures, will be half of the above sum, 250,000 dollars.

All deputy officers and staff members regardless of whether they are brought over through political measures or financial bribes, are to be awarded according to their rank. In that the number of such personnel differs with each unit, expenditure for this is provisionally set at 670,000 dollars.

Thus expenditure inclusive of all these points under the second item amounts to 1,445,000 dollars.

一九四五年  
對僑軍的爭取和保護工作  
計劃與預算



延安總部 1945. 1.

## 一九四五年對偽軍的 爭取和破壞工作計劃與預算

一、為了更有效地更迅速地戰勝日寇，我們在今年（1945）應加強對偽軍的爭取和破壞工作。抗戰以來我軍進行破壞偽軍工作的經驗證明，爭取和破壞偽軍的工作，可以成為爭取和破壞敵軍的橋樑，同時又是肅清敵寇的爪子和羽翼的有效工作。

中國現有偽軍約九十萬，其中包含偽正規軍四十一萬，偽地方軍四十九萬。我們認為中國偽軍數目如此龐大，已成為敵人一種有力的助手，因此，特擬定1945年對偽軍工作的計劃和預算，以便達到爭取和破壞偽軍的目的。

二、本計劃和預算的目的和手段是：第一、用金錢收買偽軍投誠（或從政治上爭取偽軍反正），第二、利用偽軍以破壞敵軍。

根據去年（1944）我軍在各解放區發動偽軍反正的統計材料（不很完整的材料）可以分述如下：

## 各解放區反正偽軍人員武器統計

地 區	人 員	長短槍	輕重 機槍	擲彈筒	砲	備 註
山 東	11,987	6,540	122	109	26	內海軍667人
魯 南	5,821	3,909	60	32	12	
魯 西	932	550	8	10	3	
魯 東	1,024	620	13	11		
華 中	14,075	8,314	134	121	18	
華 南	328	226	6	5		
總 計	34,167	20,159	343	288	60	

在上述統計數字中，全國反正偽軍計有：

偽陸軍 33,500人

偽海軍 667人（計有3000噸戰艦一艘，日生利砲艦一艘，23號肉河艦一艘）

總計全國反正偽軍為34,167人，佔全國偽軍九十萬之3.8%弱。

估計到1945年整個戰爭形勢，可以想到敵人方面的軍事情況將更加惡化，我盟軍在各個戰場上將繼續勝利，敵後我軍對敵偽軍方面的軍事和政治攻勢將更展開，這將使敵偽軍的軍心更加動搖。這些條件，將使我軍對偽軍的各種爭取和破壞活動，更能順利的進行。



根據這一估計，如果今年（1945）在敵後從政治上爭取僑軍及正的工作，可能達到58（即45,000人），如果我們能夠得到美國國家財政的援助，來進行用金錢收買的，那末我們還可能收買58（45,000人）或更多的僑軍。這就是說：我們在一九四五年中，政治爭取和金錢收買兩種手段同時併用的結果，可以爭取和收買僑軍108，即佔全國九十萬僑軍中之九萬人。因此，我們就把這一數字作為我們1945年收買（或爭取）僑軍財政預算的根據。

五、我們的預算分為四部份。

第一部份，收買僑軍投誠（或政治反正）的預算；

第二部份，準備金。

茲列表於下：

	項 目	金 額 (美元單位—下同)	備 考
第一部份	反正前線活動費 (聯絡費與情報費 等均)	\$7,600,000元	包括二十個師 九萬人。
	反正後給各級反正 軍官及派往的牧買 費(或應付費)	\$1,445,000元	
	反正後給帶來式應 供備的獎勵費	\$893,000元	
	反正後給反正部隊 的報酬費(五個月)	\$4,800,000元	儲蓄反正後一 些維修及新原 料
第二部份	準備金	\$5,000,000元	
總計	以上五項總共為 \$19,738,000元		

茲將上表分別說明如下

第一部份收買偽軍叛逃〈或政治反正〉

甲、無條件收買，或政治爭取，在未打反正通案以前，須有一筆機密活動費，（包括獎金及情報收買費在內，）其數目，每一個師預定為\$380,000元，若以二十個師（90,000人）計，則為\$7,600,000元。

乙、用金錢收買偽軍官，〈以十個師的正職軍官計〉

1. 偽軍正官收買費詳表

階級	人數	每人應給的經費	合計
班長	3,000	30	\$90,000元
排長	1,000	80	\$80,000元
連長	300	250	\$75,000元
營長	100	800	\$80,000元
團長	30	3,000	\$90,000元
師長	10	10,000	\$100,000元
合計			\$515,000元

2. 由政治爭取反正通案的45,000人，其主管應給予獎金，其數目約等於每個師正官所得的半，預計為\$260,000元。

3. 反正的偽軍官，及軍校，不論其收買時，或爭取時，均須給獎金，給予獎金費，但因其數額較大，

此項費用定為 \$670,000 元（在收買中僅收買獎主官，各級副職不用收買費，只在追求他處以應付）

以上（乙）項總共為 \$1,445,000 元。

四、收買他處所需之武器和重武器裝備費用（45,000 人十個星期）

武器種類	數目	每項獎金額	合計
步槍	22,500 枝	20	\$450,000 元
手槍(戰)	600 枝	30	\$18,000 元
衝鋒槍	300 枝	50	\$15,000 元
輕機槍	300 枝	80	\$24,000 元
重機槍	150 枝	120	\$18,000 元
迫擊炮	120 門	100	\$12,000 元
小 炮	40 門	1,000	\$40,000 元
重機炮	40 架	200	\$8,000 元
重炮	400 座	20	\$8,000 元
合計金額			\$598,000 元

如需求其他武器，或裝備，表上未規定獎金者，則照前項，酌給獎金。

另有 45,000 人，此項地區不要求以後，我們與其需求之武器，或裝備，照前項之獎金，其餘則為其他地區，約為 \$300,000 元。



工作進行以後，做出決算。

乙、利用個別的高級軍官或士夫，來進行刺殺日本海軍要領的工作費用，這一工作也只能有決算，不能有具體的預算。此項用款，擬由準備金中支付之。

丙、在暫一部份預算中，將許多臨時緊急的門類，現在尚不能預計者，亦擬由準備金中支付之。

### 總 結

第一部份預算為\$14,738,000元

第二部份預算為\$5,000,000元

總計金額為\$19,738,000元。

(完)

14,359

**SECRET****1945 PROJECT AND BUDGET FOR UNDERMINING AND BRINGING OVER PUPPET FORCES**

Chenow  
 X puppet forces  
 X budget  
 X paper

1. In 1945 the work of winning over and undermining of the puppets should be strengthened in order to achieve victory over Japan more quickly and effectively. Experiences in the work of undermining the puppet forces in the War of Resistance have proved that this kind of work can serve also as a bridge to undermine or win over the Japanese as well as an effective measure for cutting their collaborators from under them.

In China today there are about 900,000 puppet troops of which 410,000 are regulars and 490,000 puppet local forces. From these figures it is clear that the expanded puppet army is a very powerful force assisting the Japanese. The following plan for 1945 has been drawn up with the aim of winning over and undermining part of the puppet forces.

2. The measures in the project consist of:

- a) Using financial measures to buy over puppet forces and through political measures to win over puppet forces.
- b) To use the puppet forces to carry out sabotage work against the Japanese Army.

According to still incomplete data from all our bases in 1944 our forces have achieved in bringing over by political measures the following puppet forces:

**STATISTICS ON WON-OVER PUPPETS  
IN VARIOUS LIBERATED AREAS**

Area	Number of Men	Number of Rifles (Side-arms)	Light and Heavy MG	Knee Mortars	Field Pieces
Shantung	11,987	6,540	122	109	26
Shensi-Hopei			60	32	12
Shantung-Henan	5,821	3,909	8	10	3
Shensi-Szechuan	932	550	13	11	1
Shensi-Chahar-Hopei	1,024	620	134	121	16
Central China	14,075	8,314	6	5	10
South China	328	226			6
Total .....	34,167	20,199	343	288	60

Notes: The Shantung figures include 667 puppet sailors who brought over with them one 3,000 ton ship, 1 gunboat, and 1 #13 gunboat, the Mr Sheng-11.

The 34,167 puppets turned over constitutes approximately 3.6% of the total puppet forces in China.

- 2 -

It is estimated that in 1945 the continued victories of Allied forces, plus the Japanese position becoming more critical and the intensive military and political offensive against the Japanese and puppets by our armies behind the enemy lines, will contribute to the increasing disintegration and waning of the puppet forces. These conditions will facilitate our work along these lines.

From the above conditions it is estimated that the puppets to be won over by political measures can be increased to about 5%, or 45,000. If in addition to this, financial help from the United States Army is available then, with using money to buy over puppets, another 5% can be brought over. Thus in 1945, using both political and financial measures, it is possible to win over and buy over 10% of the entire puppet force, about 90,000. And this figure is given as the basis for the budget estimates.

3. The budget is divided into two parts:

- a) Budget for buying and winning over puppets (political and financial measures).
- b) Reserve Fund.

### BUDGET

<u>Item</u>	<u>Amount in Gold Dollars</u>	<u>Note</u>
Expenditure for operational and administrative work. (Secret activity among puppets including buying intelligence, liaison and working personnel): .....	\$ 7,600,000	For work among 20 puppet divisions. (90,000 men)
Payments for puppet officers and staff members coming over .....	1,445,000	
Payments for arms and equipment brought over .....	893,000	
3 months' allowance payments to puppet troops after coming over .....	4,800,000	Based on original salaries and allowances
Reserve Fund .....	<u>5,000,000</u>	
Total .....	<u>\$19,738,000</u>	

The above items are explained in detail as follows:

The first item. Whether using political or financial measures, before the puppets come over a fund is necessary to work among them, buy information, administrative expenses and funds for personnel doing this work. The amount is set provisionally for \$300,000 for each division.



- 3 -

The second item. Expenditure for comfort and awarding fee to officers and staff members coming over, (on the basis of ten divisions), mainly through financial measures, are estimated as follows:

<u>Rank</u>	<u>Number of Officers</u>	<u>Award Per Man</u>	<u>Total</u>
Squad Commander	3,000	\$ 30.00	\$ 90,000
Platoon Commander	1,000	80.00	80,000
Company Commander	300	250.00	75,000
Battalion Commander	100	800.00	80,000
Regimental Commander	30	3,000.00	90,000
Division Commander	10	10,000.00	100,000
<b>Sum Total</b> .....			<b>\$515,000</b>

Expenditure for comfort and awarding fee to officers of the other ten divisions brought over mainly through political measures, will be one-half of the above sum, \$260,000.00.

All deputy officers and staff members regardless of whether they are brought over through political measures or financial bribes, are to be awarded according to their rank. In that the number of such personnel differs with each unit, expenditure for this is provisionally set at \$670,000.00.

Thus expenditure, inclusive of all these points under the second item, amounts to \$1,445,000.00.

The third item. Expenditure for payment for arms and equipment brought over by the ten divisions (coming over mainly through financial bribing) are listed as follows:

<u>Kind of Arms &amp; Equipmt</u>	<u>Number</u>	<u>Price Payment</u>	<u>Total</u>
Rifles	22,500	\$ 30.00	\$450,000
Side arms	600	30.00	18,000
Knee Mortars	300	50.00	15,000
Light MG	300	80.00	24,000
Heavy MG	150	120.00	18,000
Trench Mortars	120	100.00	12,000
Mountain Artillery	40	1,000.00	40,000
Radio Sets	40	200.00	8,000
Telephone Sets	400	20.00	8,000
<b>Sum Total</b> .....			<b>\$593,000</b>

Proper amount of award will be given proportionately for arms and equipment other than those contained in the above list. Arms and equipment brought over by the other ten divisions through political measures mainly are to be awarded one-half of the amount set above. The expenditure for third item amounts to \$893,000.

- 4 -

The fourth item. This is to be used as follows:

- a) After the puppets come over and are reorganized they are to be paid at their original salaries and allowance for three months' duration.
- b) Expenditure for giving them necessary supplementary clothing and material needed.
- c) To soldiers coming over comfort gifts will be given.
- d) Subsidies when necessary for helping out or resettling some puppet families.

Expenditure for this purpose per division per month is estimated at \$60,000.00, making the total for three months (on the basis of 20 divisions) \$4,800,000.00.

The total for the four items listed above amounts to \$14,738,000.00. The figures listed above for payments to men or for equipment brought over will be regulated and adjusted in practice to suit the existing circumstances. Accounts will be given for amounts used.

The fifth item. Reserve Fund. This is to be used for the following purposes:

Since great possibilities present themselves for sabotage and demolition work through using puppets for destruction of such things as hangars, airfields, aircraft, military depots, arsenals, and military factories, mines, railway stations, bridges, wharves, ships, trucks, tunnels, block-houses and various other military installations, this can be put to use. Such work of course should be carried out according to the needs of military operations. It is impossible to draw up a concrete plan and budget at present. Money will be taken out from the reserve fund as required for this purpose on an accounting basis.

Expenditure for using puppet officers or soldiers to assassinate Japanese officers of the Army, Navy and Air Forces is also to be taken out of the Reserve Fund.

In the course of the work listed in buying over puppets, there will probably be emergency or extraordinary expenses which cannot be foreseen and which will have to be drawn from the reserve fund.

Budget for work on Puppet Armies \$14,738,000.00

Budget for the Reserve Fund 5,000,000.00

..... \$19,738,000.00

OFFICE OF STRATEGIC SERVICES  
SOUTH EAST ASIA  
APO 432, NYC

25  
16.337  
*Chinese*  
x *Peers, W. R.*  
x *Burma (Northern)*  
29 January 1945  
x *Observations*

TO: Major General W. J. Donovan  
SUBJECT: Personal Observation of the Chinese in Northern  
Burma

1. Brief History. It is believed that before any conclusions can be drawn concerning the Chinese soldier, the units and the leaders that it would be best to go back and cover a little of the history of the Chinese Army in India (CAI), and the system under which it is operated.

a. The Chinese Army in India was formed from two Chinese Divisions on the initial evacuation of Burma in 1942. These divisions, 22nd and 38th, were given an extensive period of training at Rangarh for nearly a year. They were first moved into Lido sector in May 1943. The 38th was the first employed, but its tactics were poor mostly due to over caution. The 22nd was then employed on the Southern sector to make a successful wide encircling movement. From that point onward a spirit of competition developed between the 38th and 22nd Divisions, which was culminated only on removal of the 22nd Division to China in December 1944. It is my belief that this spirit of competition was one of the major factors in the Chinese drive through the Hukawng.

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The Chinese 30th Division was flown from China to India in the middle of 1943 and spent about six months training at Rangarh. They were moved into Assam early in 1944 and finally put into action in Burma in April. The 50th Division was flown direct from China to Assam and put into action about May 1944. The last division to arrive was the 14th, which was flown directly into Maingkwang, Burma, and put into action. These five Divisions were all present in Burma in August at the close of the Mogaung and Myitkyina campaigns. At this time two Chinese armies were created. The 1st Army, including the 38th, 30th, and 14th Divisions, was under command of General Sun, former U.G. 38th Division. General Liao, formerly of the 22nd, took command of the 6th Army made up of the 22nd and 50th Divisions.

The only other Chinese Infantry combat unit to appear is the 1st Chinese Commando Regiment, which is American trained and equipped. This unit is functioning as the 3rd Regiment of the American 5332nd Brigade.

b. The Command of the CAT was vested in the CG of NOAC (General Stillwell, later Lt. Gen. Sultan). Orders were issued by him direct to Division Commanders of Chinese units. Parallel to this Command was a system of American liaison officers down to and including the battalions; in the case of Artillery, down to and including the battery. These liaison officers had no direct command and could not

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orders to Chinese unit commanders. Their functions, information, coordination, and supply.

2. Individual Chinese soldier. In general, the combat efficiency of the individual Chinese soldier of CAI is directly proportionate to his training and combat experience. For that reason members of the 22nd and 38th Divisions could hardly be compared with those of the 14th or 50th Divisions. The 30th is somewhat in between. Members of the 22nd and 38th are well trained battle veterans, and I would say that the combat efficiency of these soldiers is equal to that of an American infantry soldier, in jungle fighting probably superior. Their very nature makes them highly adaptable. They are cunning, can endure unbelievable hardships, have the ability to act alone, and have no fear of death. The discipline and sanitation of these troops is excellent. Very few cases of old Chinese looting customs have resulted from these troops, and the individual soldier takes such good care of himself and his equipment that he appears ready for a dress parade at the height of battle.

When the 30th and 50th divisions appeared in Northern Burma, the individual soldiers of these units were very similar to the ordinary Army recruit. Their training had been fair but had not been applied in modern combat. They had great tendencies to mill about and to expose themselves to enemy fire. Although they had no fear of death,

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they were highly excitable and many of their acts were irrational. However, the completion of the Mukaung, Mogaung, and Myitkyina campaigns proved a shakedown for these troops, and from this point onwards their combat attitude was much better.

In mentioning the individual Chinese soldier, one of the main points for consideration is his ability to act alone. He can go out in the jungle with very little on his person and remain for long periods of time. In this respect he is very similar to the Jap. In my estimation a well trained, well equipped, battle wise Chinese soldier has no equal in the jungle.

3. Units. (a) Small units. As a result of the training the small units (companies, platoons, and squads) had received at Kangarh, they entered combat with a good working knowledge of the tactics of smaller units. This was borne out in the initial stages of the Mukaung valley where the smaller units would go ahead and accomplish their objective despite the fact that the large unit often became disorganized. The leaders of the smaller units were generally former enlisted men selected by merit. As a result the units had competent leaders and had good team work within the unit.

b. Large units. In the early stages of the Mukaung campaign, both the 22nd and 38th Divisions had tendencies to

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become disorganized and to lose control. As the campaign progressed this was corrected, and at the present time I would say that their control is superior. This lack of control was also evidenced in each of the newly arrived divisions. In the Mogaung campaign, which was the first employment of the 30th Division, none of the battalions knew what the battalions on its flanks were doing, and as a result they often engaged in fire fights between themselves. As the combat progressed, they would get some semblance of order, and the best that could be said for the campaign, as far as the 30th Division is concerned, is that it was a very good proving ground.

At present, I would rate the Chinese Divisions as follows: 38th, 50th, and 30th. The regiments and battalions of the 38th Division are all well trained and well led and can be expected to go on individual missions. The regiments of the 50th Division are reaching this stage but still have some trial and error to go through. The 30th Division is probably the poorest of the lot and has a long way to go. The primary reason for this, I believe, is its lack of leadership.

4. Tactics. The tactics of the smaller units are generally good. The tactics of the larger units are generally typified by the character of the commanders. For example, General Sun, commanding General of the 38th Division

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(now 1st Army), initially believed only in frontal attacks. As the campaign wore on, General Stillwell made an effort to convince General Sun that the best tactics to employ were wide flanking movements with necessary holding attacks. After a few trials at this, which all ended in success, General Sun devised a flanking and road block system which he can nearly always be expected to employ. His greatest success at this was in the seton block where he slipped one regiment one hundred miles in the rear of the Japs, dug them in, and let the Japs wear themselves out trying to get them out. Every time this division has the opportunity they employ this system, which so far has proved most satisfactory. Another example of the efficiency of the well trained division was when the 38th captured Mogaung. The British has been employing one brigade at Moguang from the south when the Chinese arrived on the scene from the North. After a conference with the British Brigadier, it was decided to pull the British out and let the Chinese try their hand. After a reconnaissance of the situation, the Chinese commander, to the utter amazement of the British, decided to employ one battalion. The attack began at dawn and by ten o'clock the town was in his hands and resulted in approximately fifteen Chinese dead to 150 Japs.

The same could be said for units of the 22nd Division, especially the regiment which proceeded south into



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the Taro Valley, approximately 150 miles from its base, where it was confronted with an equal number of Japs. The tactics employed in this battle cut the Japs off from any possible supply and left them open to attack from all sides. As a result the entire Taro Valley was secured and cost the Japs approximately 500 with very small losses to the Regiment of the 22nd.

I believe that the tactics of the 22nd and 38th Divisions are at present very good. The 50th is becoming much better, although they lack the combat experience of the 22nd and 38th. The 30th have just one system of tactics -- simply push and pull.

5. Training. The training given the Chinese Divisions by the American school at Rangarh has been the keynote to the success of the Chinese combat divisions. As stated previously, the combat efficiency of these units is directly proportionate to the training they received at Rangarh. Of course, to all this must be added the combat experience each of them has gained. I did not attend any of their training at Rangarh, but, from what I have seen of the way the Chinese soldiers take care of their arms and equipment, their weapons and basic training must have been excellent. From what I have seen thus far I believe that any group of Chinese with properly selected officers could be trained and welded into a good combat unit.

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6. Chungking Control. During the course of the Hukawng campaign an odd situation arose as a result of the Jap attack on Imphal. All the American officers, including General Stillwell, were trying to get the Chinese to proceed down the valley, but for six weeks the Chinese stood pat and did not move. Many of the officers in NOAC headquarters were of the opinion that Chungking had issued instructions to their field commanders that they would not move until the Imphal situation was clarified. There are many other examples of this control from higher up. Some examples might be the disposition of important captured documents. These never reach combat G-2. Some of the patrols sent out to contact Chinese guerillas are sent out without notification to NOAC headquarters. It is also known that there are several radios within each of the divisions which have direct contact with unknown stations, but it is generally believed these stations contact Chungking directly.

7. Special Groups. The Chinese have proven themselves especially adaptable to the larger weapons, namely, tanks, artillery, and heavy mortars. The tank unit of NOAC is the only Chinese unit that is directly American led. However, the subordinate commands are all Chinese led. During the course of the North Burma campaign this tank unit, totalling 75, lost only 9 tanks to enemy action. Eight of these were light tanks and one a medium tank.

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The Chinese particularly like the 155 mm. Their gunnery is excellent and the Japs have great respect for their ability. Many times during the course of the Mulkawng and Myitayina campaigns Chinese artillery units were able to knock out the Jap artillery by counter battery fire. At first they had only 105s and 75s, and the Japs were able to out range them, but on the arrival of the 155s the situation was reversed and the Japs had nothing to combat it. Recently they have installed sound locating devices which have greatly aided their counter battery efficiency.

*W. R. Flanders*  
W. R. FLANDERS  
Lt. Col., Inf.

Form 10846

DATE \_\_\_\_\_

TO: *Warren G. Marshall*

*Herewith you file  
H.T.G.*

FROM: \_\_\_\_\_

(12/16)

EXT. \_\_\_\_\_

**SECRET**

15.746

*China*

BASIC - Ltr to Dow fr Christian dtd 6 Nov 44 w/two reports re Recall.

*1. Stilwell, Gen. Joseph  
X recall  
Stilwell's*

1st w/Ind  
Branch Headquarters, O.S.S.S.U. Detachment 202, APO 879, 10 November, 1944  
TO: Colonel John G. Coughlin, Hq & Hq Det., OSS, C & IB, APO 885

AWD/wak

1. Reference to your cable No. 108 dated 27 October 1944, I contacted Mr. Christian and asked him to find out for me all he could regarding General Stilwell's removal from China.

2. The enclosed letter written to me by Mr. Christian, and the two enclosed reports, are forwarded for your information.

*Arden H. Dow*  
ARDEN W. DOW  
Lt. Col., Inf.

2nd w/Ind  
HDQS, OSS, CHINA & INDIA-BURMA THEATERS, APO 885, 16 November 44  
TO: Director, OSS, Washington, D. C.  
ATTN: Colonel John G. Coughlin.

Forwarded.

For the Commanding Officer:

*F. M. Small*  
F. M. SMALL,  
Major, AGD,  
Executive Officer.

*John*

RETURN TO GEN'L. D.

**SECRET**CMB  
JMS

SECRET

15,746

6 November, 1944

Lt. Col. A.W. Dow,  
SAGO,  
The Valley.

Dear Col. Dow:

I thank you for your letter of November 3rd and you are correct in assuming that the money which you are to collect from the Finance Officer is not to be passed through your books as I have regular monthly accounts prepared and sent to Mykland in respect of both DAF and USP.

I appreciate very much what you written about gasoline and you may rest assured that I will use U.S. gasoline as little as possible as I realize the difficulties of securing adequate supplies. Regarding the jeep which Mykland has in Kunming, I think we had better get it up to Chungking although I do not really need a jeep at this time as I have the part time use of a sedan with Dr. George Bates and particularly in wet weather, a sedan is much more useful for me than a jeep. The sedan, however, is old and may break down at any moment so that it would certainly be best to have the jeep available. By having it here we would avoid inconveniencing your present transportation arrangements in the Valley.

Regarding Col. Coughlin's inquiry relative to General Stilwell's removal from this area as I see the matter, General Stilwell was the goat. Our Government is definitely committed to supporting the Kuomintang and the leader of the Kuomintang, the Generalissimo, has been violently criticized all around for the military reverses which China has suffered and the state of decay which has been recently so evident in Chungking. The Generalissimo had to have someone on whom to blame this state of affairs and as he did not like General Stilwell in any case, he decided to get rid of him and was in a position to do so as, after all, the Generalissimo is the Commander in Chief of all forces in this theater. The Generalissimo blames Stilwell for several things, particularly that he had given too much support to the U.S. air force and not enough to the Chinese ground force with the limited tonnage over the Hump and that he had used China's best troops in fighting the Burma campaign and thereby made them unavailable for fighting in China and that in doing this, Stilwell was playing his own game in trying to recover Burma from which the Japanese chased him in 1942 and helping the British in recovering Burma rather than helping the Chinese in protecting their own country. I have already sent through Kunming one or two reports giving full details on this matter and have reached or will reach Col. Coughlin shortly. For your further enlightenment I am enclosing a restricted report from the Central News Agency with particular reference to an article written for the New York Times by Brooks Atkinson, their correspondent in China, who returned

# SECRET

to the United States on the same plane with General Stilwell. I generally concur with what Atkinson has to say but think he has been too hard on the Chinese. This is doubtless due to the fact that he absolved Stilwell's venom while they were travelling together. I know General Stilwell very well and consider him a fine soldier and feel that he has been a victim of political circumstances for which he is not to be blamed but I repeat that somebody had to be the goat and he was it.

Mr. Honeycutt and I look forward to seeing you sometime soon.

Very sincerely,

*Wm. B. Christian*  
Wm. B. Christian

# SECRET

SECRET

AMERICAN INFORMATION SERVICE

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November 1, 1944

NEW YORK, October 31--The New York Times today published the following dispatch from its correspondent in Chungking, Frank Atkinson:

General's Recall The following account of the recall of General Joseph Stilwell is by the Chungking correspondent of the New York Times who has just returned to this country. It was delayed and finally cleared by the War Department censorship in Washington).

General Joseph W. Stilwell, relieved of his command in China-Murma-India before leaving Chungking 31 October 31, made a final swift tour of some of the military bases in his command, then flew directly home to Washington in a silver-colored transport plane facetiously dubbed "Uncle Joe's Chariot".

For the last two months negotiations had been going on between President Roosevelt's personal representative, Major General Patrick J. Hurley, and Generalissimo Chiang Kai-shek to give Stilwell the full command of Chinese ground and air forces under the Generalissimo and to increase China's participation in the counter offensive against Japan.

Although the Generalissimo at first was understood to agree to Stilwell's appointment as the commander he decided later that he would accept any American commander except Stilwell.

His attitude toward American negotiations became stiff and hostile. At a private meeting of the standing committee of the Kuomintang (the National Party) Central Executive Committee this month, he summarized the terms of his personal ultimatum to the Americans who were pressing him for a military and governmental reform.

He declared that Stilwell must go, that the control of American lend lease materials must be put in his hands and that he would not be coerced by the Americans into helping to unify China by making terms with the Chinese communists. If America did not yield on these points, he said, China would go back to fighting the Japanese alone as she did before Pearl Harbor.

President Roosevelt agreed to the Generalissimo's demand for Stilwell's recall. Dividing the huge CBI war sector in Ceylon, the War Department appointed Major General Wedemeyer, now deputy Chief-of-Staff to Admiral Lord Mountbatten, as Commander of the U.S. Army forces in China, and Lieutenant General Sultan, Stilwell's Chief-of-Staff in India, as Commander of the U.S. Army forces in India and Burma.

After a career of more than 30 years largely devoted to military affairs in China and two years and eight months as commander of the U.S. Army forces in the CBI theater and as the Allied Chief-of-Staff to the Generalissimo, "Vinegar Joe" Stilwell has now announced his heavy and consistently frustrated attempt to help China to stay in the war and improve the combat efficiency of the Chinese forces.

(over)

SECRET



## SECRET

AMERICAN INFORMATION SERVICE

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November 1, 1944

Wu Jie speaks Chinese. He knows more about China than most foreigners. He is more intimately acquainted with the needs and capacities of the Chinese army than the Generalissimo and General Ho Ying-chin, War Minister and Chief-of-Staff, because he has repeatedly been in the field with his troops.

He is commonly regarded as the ablest field commander in China since "China" Gordon. The second retreat with Stilwell seemed to him the final one. It was not from an enemy but from an ally.

The decision to relieve Stilwell has the most profound implications for China as well as American policy towards China and the Allied war effort in the Far East. It may mean that the U.S. has decided from now on to discount China's part in the counter-offensive.

Inside China it represents the political triumph of a meretricious and anti-democratic regime that is more concerned with maintaining its political supremacy than in driving the Japanese out of China. America is now committed at least passively to supporting a regime that has become increasingly unpopular and distrusted in China, that maintains three secret police services and concentration camps for political prisoners, that stifles free speech and resists democratic forces.

The fundamental difference between the Generalissimo and Stilwell has been that the latter has been eager to fight the Japanese in China without delay and the Generalissimo has hoped that he would not have to.

In no other way is it possible to understand the long a series of obstructions and delays that have made it impossible for Stilwell to complete his original mission of equipping and training the "unlimited manpower" reserves of the Chinese army.

The Generalissimo has the positive virtue for which America ought to be indebted; he has never made peace with the Japanese although there have been times when his ministers thought the future looked hopeless. But the technique of preserving his tenuous balance of political power in China keeps him a passive man.

Although he is the acknowledged leader of China he has not a record of personal military achievement and his basic ideas for political leadership are those of a warlord. He conceives of armies in political forces.

In an enormous and loosely strung country, populated chiefly by ignorant peasants, he maintains his authority by preventing any group from becoming too powerful. A few well-equipped armies under a command not entirely loyal to him personally might upset the military and political balance inside China and curtail his authority.

The Chinese communists, when the Generalissimo started toppling them in 1942, were good enough then and are still good enough now to see the Japanese in northeast China. The

AMERICAN INFORMATION SERVICE

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November 1, 1944

Distinctly, the communists, the Generalissimo has made no sincere attempt to arrange at least a truce with them for the duration of the war.

The Generalissimo's regime, based on the support and subservience of General Ho. Dr. H.H. Kung, minister of finance, and Dr. Chen Li-fu, Minister of Education, has remained fundamentally unchanged over a long period and has become bureaucratic, inefficient and corrupt.

Most of the armies are poorly fed and shockingly maltreated. In some parts of the country peasants turned out the Chinese armies during the Japanese offensive in revenge for the atrocities with which these armies collected rice during the famine years.

Most of China's troubles now are the result of her having been at war with Japan for more than seven years and totally blockaded for two and half.

The reason that nothing is done to alleviate these miseries is that the Generalissimo is determined to maintain his group of aging reactionaries in power until the war is over, when it is commonly believed that he will resume his war against the Chinese communists without distraction.

Bewildered and alarmed by the rapidity with which China now is falling apart he feels secure only with the associates who obey him implicitly. His regime has become more and more ungovernable and attack the symptoms rather than the causes of China's troubles.

Since negotiations with Hurley began, the Generalissimo's attitude toward America has become more resentful and the American criticisms of China are hotly rebuked. Relieving Stilwell and appointing a successor has the effect of making the U.S. acquiesce in an unwhitened, coldhearted and autocratic political regime.

Into this stagnant, baleful atmosphere Stilwell came in February 1942, motivated by the single idea of fighting the Japanese immediately. Like most of the foreigners who know the Chinese people he loved them, for they are the glory of China. From long experience, Stilwell had great confidence in the capacities of the Chinese soldiers who even then were fighting on nothing.

In November, 1941, Magruder's military mission had already made an agreement with the Generalissimo to train and equip the Chinese army on the theory that it would then become unnecessary to ship thousands of doughboys to fight on the Chinese soil. The war in China was initially handicapped by the decision to fight Germany first and Japan second. Stilwell was never able to get one percent of the U.S. Army for use in his CBI theater, and was never able to get all the equipment he had wanted because it has always been needed elsewhere.

On March 8, 1942, less than a month after he had arrived in China, Stilwell was plunged into the calamitous Burma campaign without notice. He had to return to Chungking to induce the Generalissimo to send to the front to vest him with sufficient authority to command the troops.

**SECRET**

**SECRET****AMERICAN INFORMATION SERVICE****-4-****November 1, 1944**

Even then his command was never secure or efficient. There were other troubles. At a time when the ps were needed to be transported, most of China's trucks were hauling civilians out of Burma up the road into China where goods were worth huge sums of money.

When at last Stilwell got out of Burma into India he persuaded the Generalissimo to let him feed, train and equip the Chinese soldiers who finally arrived. After a training of a year and a half these soldiers were the backbone of the Chinese divisions who got Myittha back last August and are now pushing toward Shensi to face the Szechuan Road. Inside China, everything Stilwell has tried to do has been obstructed or delayed.

The Generalissimo and his staff like the USAAF, which they got free and which asks for nothing except food and airfields which we equip with buildings and installations. But the Chinese government hedges and hedges over anything involving the use of its armies. Foreigners can only conclude that the Chinese government wants to save its armies to secure its political power after the war.

A nervous and driving field officer who is impatient with administrative details and political tangles, Stilwell is no diplomat. He goes straight to the point in his dealings with anybody. He is plain and salty. He is personally incapable of assuming a reverential mood toward the Generalissimo and he is impatient with incompetent meddling in the military command. Although Stilwell is anything but arrogant, the Generalissimo complained that the American was trying to subjugate him.

But with the situation in China as it is, no diplomat could have overcome the Generalissimo's basic unwillingness to risk his armies in battle with the Japanese. And the intrigue and corruption of China's political and military administration Stilwell has been a lone man trying to follow orders, improve the combat efficiency of the Chinese army, force open the Burma Road and get China back into the war.

Now he has been forced out of China by a political system that has been consistently blocking him, and America is acquiescing in a system that is undemocratic in spirit as well as fact and also unrepresentative of the Chinese people, who are good allies.

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American Information Service

November 1, 1944

LOS ANGELES, October 31 (UP)---United Press correspondent Darrell Herrigan, just returned to the United States from the China-Burma-India theater herewith gives the inside story of Stilwell's removal. Herrigan, two years ago with Stilwell on the retreat from Rangoon has been closely associated with him ever since.

~~Antulinnuxxerrigan~~

Writing from New York, Herrigan said the recall of Stilwell, according to informed quarters in C. I. B., climaxes the deep cleavage between high Washington officials and Chiang Kai-shek over the future conduct of the war in the Far East. It is understood the summoning Stilwell back to the United States leaves the dispute unsettled but with Chiang on the notice that it is up to him to prove his side of the case by running a thorough-going reorganization of the Chinese Army and more vigorous operations against the Japanese.

It is now revealed that one of hitherto undisclosed aspects of the controversy is the report that Ambassador Gause submitted his resignation as a result of Stilwell's removal. Gause, a long time advocate of (text missing) policy in China, said he took the withdrawal of Stilwell out the ground from under the American position, and recalled that for some time there had been a growing apprehension in Washington concerning the progress of the war in China and a plan of action to deal with the situation has formulated in August, for Stilwell to be raised to the rank of a full general and Hurley and Nelson to be dispatched to China.

Herrigan added that Hurley and Nelson, arriving submitted a list of demands to Chiang, expressed President Roosevelt's alarm over the military situation in East China. The demands included, first, Stilwell be named Commander-in-Chief of All Allied Forces in China to insure the most effective distribution of all arms and supplies available in the China theater, secondly, a thoroughgoing reorganization of the Chinese Army to eliminate duplication on the Chinese high command and transform it into an effective military unit, thirdly, the unification of the war effort of government and

AMERICAN INFORMATION SERVICE

(2)

November 1, 1944

Harley and Nelson pointed out to Chiang that the unification of Communist and government armies is possible only under a foreign Commander-in-Chief because communists refused to accept the leadership of government generals. Chiang accepted the program but no announcement was made of Stilwell's appointment as the Commander-in-Chief. At this time, late in September, Chiang assured Roosevelt that he placed "complete confidence" in Stilwell. However, after Stilwell began putting his plans into effect, Chiang changed his position.

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**SECRET**OFFICE OF STAFF  
WASHINGTON, D.C.

A 44 Ber Igen Stilwell

Ber Igen said that on October 15 or 16 Chiang sent a message to President Roosevelt regarding Stilwell. In the message, first, that Stilwell disobeyed Chiang's orders in launching the Burma campaign which Chiang said he had agreed to only if you forced them to occupy South Burma, and, secondly, that Stilwell was responsible for the loss of United States air bases in China because he had failed to send adequate supplies to the Chinese army.

Chiang said that if Stilwell should be removed he himself would carry out the reorganization of the Chinese army, the disbanding.

Ber Igen said that it was understood that President Roosevelt replied that Stilwell would be removed but that the charges "charges" would not even be considered and that it was now Chiang's own responsibility to carry out the program which Stilwell was originally named to achieve.

Ber Igen added that Roosevelt then ordered Stilwell home and that before his departure Chiang sent a message to Stilwell offering to decorate him with the highest order of the Chinese government, and that Stilwell had tea with Chiang.

**SECRET**

Mr. Ligon said that on October 15 or 16 Chiang sent a message to President Roosevelt demanding Stilwell to return to China. He said, first, that Stilwell disobeyed Chiang's orders in launching the Burma campaign which Chiang said he had agreed to only if the British would occupy South Burma, and, secondly, that Stilwell was responsible for the loss of United States air bases in China because he had failed to send adequate supplies to the Chinese army.

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**SECRET**

FORM 100-10

Date 17 Nov. 1944

To: General Donovan

Attached for your  
signature is a memorandum  
for the President forwarding  
a report from Colonel Hall.

*Ad. Avery*

Director of the Secretariat

(5137)



10/6/67

17 November 1967

*William J. Donovan*  
*1400 L. St. N.W.*

Miss Grace Tully  
The White House  
Washington 25, D. C.

Dear Grace:

I believe the President will be interested  
in the attached report. Will you kindly see  
that it reaches his desk.

Thank you.

Sincerely,

William J. Donovan  
Director

15-00000  
**SECRET**

17 November 1944

**MEMORANDUM FOR THE DIRECTOR**

I believe that you will be interested in the enclosed report prepared by an American representative who has just returned from China.

William J. Donovan  
Director

Enclosure

and: etc

**SECRET**

OCS Form 10, 4-64

TOP SECRET

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**WASHINGTON, D. C.**

*China 15.627*  
**TOP SECRET**

*x Observation*  
*x Hall Picked*

9 November 1944

**Subject:** Memorandum on China

**To:** Brigadier General William J. Donovan

Please find herewith, in duplicate, the memorandum requested, entitled "Observations on China as a Wartime Ally of the United States of America".

Because of the subject matter contained and the opinions expressed it would seem best that my name not be connected with this report.

ROBERT B. HALL  
Colonel, AUS

**TOP SECRET**

RESERVATION OF CHINA AS A WARTIME ALLY OF THE  
UNITED STATES OF AMERICA

No attempt is made in this brief memorandum to give a complete or in any way detailed report on the contemporary scene in China as it reflects upon the effectiveness of that country as a wartime ally of the United States. The situation is entirely too complex and too fluid to allow any one individual to do this. Rather the writer here attempts only to give his personal impressions of the limitations of present day China which have grown out of the past year's tour of duty in that country. During this period, the writer travelled widely in Free China, spent some time in the capital city of Chungking, and saw Chinese troops in action.

The effectivity of China as a wartime ally of the United States, except for the pinning down of Japanese troops, is decidedly limited and is steadily deteriorating. The main contributing factors seem to be as follows:

1. After seven years of war, China is "war weary".
2. Numbers of population or of soldiers do not in themselves mean effectiveness. The primary reasons why China's vast armies are so relatively ineffective are: (a) the lack of general national patriotism and the traditional Chinese attitude

- 2 -

toward the soldier; (b) the low morale of the Chinese Army which grows out of a lack of national consciousness, the brutal methods of recruiting and training, and the exploitation of the common soldier by his officers; (c) the lack of adequate equipment in the hands of the Chinese fighting forces; (d) the extremely bad health conditions prevailing in the armies of China.

3. Affecting adversely both the army and the civil population is the general deterioration of the nation, economically and politically.

4. All Chinese are not of one mind as regards either the war or the peace to follow. The body politic is a mosaic of different interests and ambitions -- communists and anti-communists, nationalist and sectionalist, liberals and conservatives, pro and anti Generalissimo and Soong, patriot and opportunist, guerrillas, bandits, families divided as collaborationists and puppets in occupied China and central Government enthusiasts in Free China.

5. The debacle of the 9th War Area has been a major contributing factor to the general and growing attitude of defeatism in Free China.

6. Coupled with defeatism is the feeling that the United States, with more or less help from other allies, will defeat Japan. "We have suffered for seven years, let someone else now

- 3 -

carry the burden" is a not uncommon attitude. Admiral Nimitz' promise to invade the coast of East China seems to have lowered rather than increased the Chinese desire to fight.

1.

It is not surprising that after these seven years of unequal warfare that much of China's population is war weary. This is perhaps particularly true of those vast numbers of people who are refugees in strange provinces and many of whom have been forced to evacuate several times in the face of Japanese advances. Such people number in the millions and their lot has been most pitiful. Another category is made up of peasant and coolie families who have lost their men and their animals to the army. These again number in the millions. Still another large section of the population are tired of the burdens imposed on them by the local Chinese armies and gendarmeries. Still other groups, especially in the border areas, have suffered too long and too much by living in the path of the fighting. A very limited part of the Chinese population has profited by the war. This seems more than ever to have increased and pointed up the difference between the "haves" and the "have nots". It is upon the latter group that the burdens of the war rest most heavily.



## II.

The Chinese are ardently conscious of their common racial and cultural heritage -- "folk consciousness". This, however, is quite a different thing from political homogeneity. There is not, in China, a general consciousness of "nation". Sectionalism is still rife in China and the war has done surprisingly little to reduce it. A Cantonese is still a foreigner to a Hunanese and vice versa. Giving one's life for the nation of China is more or less a meaningless thing to the average Chinese soldier. Official China resents the much worn statement that "China is a geographical term and not a nation". Unfortunately this statement is nearly true. From this condition stem a number of situations which greatly reduce the effectiveness of China as a wartime ally: (a) the Chinese soldier lacks the fundamental urge to fight for his nation, and (b) the Central Government fears the loyalty of many of the best Chinese generals. A constant struggle is carried on to keep the foremost generals from becoming strong enough individually to attempt withdrawal and also to keep these same generals opposed to one another so that they will not join up in opposing the Central Government. These tactics not infrequently overshadow the effort to defeat the Japanese.

The traditional Chinese attitude toward the military has

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not too greatly changed even with this war of survival. The better elements do not go into the army. Results of this are inferior leadership, a deep antagonism between army and people, and an average intelligence in the ranks of the army. The subject of recruiting will be discussed later.

The cause of these things is not root. Inherent contributing factors are the general lack of a national consciousness and the traditional Chinese attitude toward the soldier and warfare. The more important immediate contributing factors are to be found in the methods of recruiting and training and in the exploitation of the common soldier by his officers. Practically all recruiting is forced at the point of a gun. Soldiers and conscripts are seized upon the streets and taken to groups of soldiers who must fill their quotas. They are taken into the army. If the victim cannot buy his way out, he will probably get immediate preliminary indoctrination by a sergeant or the squad. He may then be well bound with ropes and taken to the barracks in the same condition. All recruits are sent to the training area. After these marches are over, they are without food of any sort. They fall by the way, and they are grossly mistreated and live in the most deplorable sanitary conditions. Within a few weeks these soldiers, conscripts and coolie boys are broken in.

- 6 -

health. That they persist is a marvel and that they attempt to fight at all is still greater wonder. In spite of Central Government attempts to correct the practice, the old Chinese methods prevail. The food, equipment and money is the property of the officers commanding. Just enough reaches the troops to keep them at a minimum operating level. Life is everywhere cheap in China but no where else does it reach with the same low value as in the army.

To say that the Chinese army is under-equipped is the essence of understatement. That this army still attempts to stand up to the modern Japanese army says a great deal for the individual courage of the Chinese soldier. The Chinese army is under-equipped fundamentally because adequate equipment is not available in China. Unfortunately, it is worse equipped than is necessary because all available equipment is not given to it. How much equipment is held back for future use is impossible to say, but a good deal is. This tendency seems to be increasingly important as the Central Government becomes more and more concerned with the problem of its own survival.

#### III.

The economic and political deterioration of China is to be seen in every part. Evidence ranges from the steadily declining value of the Chinese currency, accompanied by ever rising

...the increasingly drastic and restrictive  
 limitation of the Central Government on the movement of  
 the ...  
 ...the freedom of the individual ...  
 these ...  
 ...the ...

So much has been written on the mutual suspicion of the  
 Communist groups and the Central Government that no reformation  
 is needed here. But these two elements are but part of the vast  
 and complex mosaic of conflicting interest groups which  
 make up the body politic of China. Equally threatening to the  
 control of the Central Government are the war lords and  
 military governors of certain of the provinces. Yunnan, for  
 example, is only controlled because the Central Government  
 keeps more soldiers within the province than the governor  
 himself can command. At this moment the nation generals are  
 retreating to Southeast China where it is public knowledge that  
 they intend to set up an autonomous state -- with or without the  
 service to the Central Government. That in a guerrilla zone

- 8 -

are bloody Communist partisans. Others are renegades and bandits. Many cooperate with or fight with either the Japanese or the Reds depending upon where the greatest profit lies. Guerrilla number is in the tens of millions. They do not have the same interests as the Central Government and most will not be reconciled to the state without bloody fighting at some future date. The interesting aspect of the China scene and the divided interests is seen in those many well-to-do families which maintain one generation or branch in occupied China and another in the interior. One collaborates with the Japanese and protects the family property while the other maintains its political fences with the Central Government to protect the future. All of these trends and groups are to be found in any nation at war but in China they reach the superlative -- all of which is but another way of denying that China is a nation in the ordinary sense of the word.

#### V.

The defeat of the Chinese armies in the Changsha and Szechwan campaigns has had a strongly depressing influence on the Chinese people. In part this has been "one defeat" but more important has been the general realization that victory is not so easy or complete. Rather

- 9 -

than a united attempt to stop the Japanese advance, advantage was taken to reduce the position of certain generals and to extend the influence of the Central Government. The disillusionment resulting is perhaps best seen in the many thousands of families who, after suffering the life of refugees for upward to seven years, are at last giving up and returning to their homes in Occupied China.

## VI.

Finally, and perhaps a most natural reaction, is the feeling that the Americans will win the war and so why not let them. There is no doubt that our promise to invade the coast of China, backed by our successes in the Pacific, has caused a let down in the Chinese war effort. "We have suffered and born the burden for seven years" has become a sort of official keynote. The writer on several occasions has heard Chinese complain that the American Navy has not yet arrived and so Chinese plans have been thrown out of line.

The above points all are critical of China's effectiveness as a wartime ally of the United States. There is no desire to detract from the seven years in which an underfed and under-

- 10 -

6  
The Chinese Army has managed to keep in the field in the  
face of one of the world's most modern, efficient machines. For  
this we owe them a great debt. The fact remains, however,  
that China's at this, as yet, never as great as generally  
believed, and seriously declined. We cannot expect much of  
the future.

*China 15,499 Q*

- x Kuan-tung Wan Jan*
- x Kuan-tung*
- x Yu Han - Mao Jan.*
- x Li Han - Wan*

7 November 1944

Col. Robert Hall

Attached is a copy of the report you wanted.

THMcB



15,499A

ChinaGeneral Political Situation.

The efforts of this detachment are directed chiefly toward military matters. However, it is impossible to operate intelligently along these lines without keeping a close tab on the various political ramifications which are inevitable in present day China. Within the past 30 days political rumblings in this area, particularly in Kwangtung, are approaching a seething point. The entire story is not yet known but will be reported as the details are fitted together. The essence of the still under-cover rumblings is discontent with the Chungking government, and to a certain degree with the military government of Kwangtung. Precisely what groups are backing "a new order" is still undetermined but it is known that certain progressive, return students, communist elements, as well as some political old-hands are involved. This matter is of particular importance not only because of the possibility of a separation from the Nationalist Government but because so much of this area actually touches the Japanese political and military front.

General Yu Hon-mow, Commanding General of the Seventh War Zone, is not as secure in his post as one would be led to believe. Strategically he is not war-wise; politically he is not astute. It would appear that he is involved in commercial and other enterprises which might well affect his decisions as to military moves. He maintains the lip service of his underlings, and yet there are definite clouds gathering which would indicate possible political upheaval among military men under his command. Certain generals are dissatisfied with the status quo, and secret negotiations are undoubtedly under way which might lead to the unseating of General Yu. The names of some of the plotters are known to this office. For reasons of security and to avoid possible political embarrassment, they will not be disclosed at this time.

On the civil side of the political situation, we have Governor Li Hon-wan, a former and able military man, but from all accounts unscrupulous and certainly a personage to be watched during the present unrest. Governor Li is ambitious, impatient, and continually being goaded to action by Madame Li, who is probably an even more clever and ambitious person than her husband. That the Governor is playing for power cannot be questioned. Exactly what contacts he is making in his bid is not known at the moment but will be investigated. It is reported that the Governor maintains strong connections with Chungking, chiefly through the Chen Brothers.

Detachment 6 is scrupulously avoiding the political turmoil. We play no favorites, have maintained excellent relations with all parties and insist that our concern is only the defeat of the Japanese. It is interesting to note that the Provincial Government has during the past month made a real effort to ingratiate themselves with this office. Undoubtedly they feel that the American landing is imminent and feel it a wise move to get on the "band wagon". Offers to pass us information have been made with

-2-

only one string attached: It must be given unofficially because of the Central Government's law forbidding Chinese officials or organizations giving allies intelligence data.

There is one other factor involved in the complex political situation which must not be neglected. This factor is that of the Communists in the southern part of the province. Much thunder has been heard on the southern front on several occasions, and is now common knowledge that the Communists took over Tsingyuen after the Japanese evacuated and after the National troops took so long to re-enter the town. This group of communists is reported to have come from Tungkun in the southern part of Kwangtung near Sheklung, and all without doubt, are of one party. They flooded the town with propaganda, Communist in character, instituted relief measures and generally did a pretty good job. Tsingyuen is still a closed town to strangers, and we have been unable to get definite word of conditions there. Certain other information which may not be true, holds that there is coming a conflict with the Communists, as they may use this opportunity to collect more power and even try to take over Kwangtung Province. If this should happen it is entirely possible, so goes the story, that Gen. Yu would be allowed to maintain only the role of a figurhead in his present position, but that Governor Li would disappear from the scenes. This story does not quite make sense for we are unable to understand why Yu should be retained. There is some hook up between the Communists story and the story of dissatisfaction between military men.

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Date: 7 November 1944

General Donovan

1. Attached hereto is a summary of Lt. Colonel Smith's report on the political situation in Eastern China. If you believe this to be a sufficient condensation of the report, we shall make such distribution as you indicate in appropriate form.

2. At present Colonel Smith's report is in the possession of Colonel Hall.

(0190)

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STANDARD FORM NO. 64

**TOP SECRET** 15,499**Office Memorandum • UNITED STATES GOVERNMENT***China*

TO : General Donovan

DATE: 6 November 1944

FROM : Secretariat

SUBJECT: Draft of Memorandum On Situation in Eastern China

x Eastern China  
 x political  
 x Smith, G. helped

1. A brief commentary on the situation in Eastern China has been received from a military and political observer whose duties in connection with this organization and the Army have kept him well abreast of Chinese affairs. This commentary, which has been described by Mr. John Davies of the State Department as a keen analysis of the present situation, is summarized in the following notes.

2. In the provinces of Eastern China, an area never in complete harmony with the Republic, a coalition of military and civilian groups has been gradually forming which may have far-reaching results. This movement, stemming from those warlord and Communist elements which were forced underground but not suppressed, has been fostered by economic maladjustments, corruption and consequent deep civilian dissatisfaction.

3. Among the important figures playing a part in this movement are many who have been regarded as actual or potential collaborationists. The Generalissimo viewed the trend of events as one of sufficient gravity to require an inspection tour to Kweilin. By astute maneuvering he weakened or dissipated the strength of many of the key figures of the coalition. For example

**TOP SECRET**



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- 2 -

he flattered and promised increased support to Hsieh Yo and Li Chi-sen, and reprimanded and cut the forces of Chang Kah-Kwei and Yo Han-mou.

4. As a result partly of the distrust between the Generalissimo and General Hsien Yo, the battle of Hengyang was a bitter and possibly unnecessary debacle. Divided commands, poor tactical planning, insufficient and badly maintained equipment, all played a part. Now General Hsieh Yo has reconciled himself to using his battered forces in guerrilla operations. Although this is due largely to the exigencies of the present situation, it is also characteristic of the desire of the Eastern militarists to conserve their military power. Hsieh Yo is desirous of using his guerrilla forces to render maximum aid to American landings in China.

5. It is now becoming clear that some break will inevitably occur as these Eastern militarists band more closely together, to form a regime either totally separated from the Central Government or paying it only nominal allegiance. Chiang Ching-Kwo, son of the Generalissimo, is regarded as the probable titular head of this new order, and Kanchow the probable capital. Such figures as General Tai Li, who has been likened to a Gestapo leader, and Ku Tsu-tung, commander of the Third War Area, are watching the course of events before deciding whether or not to join the movement against the Central Government.

*W. B. Kantack.*  
W. B. Kantack  
Capt., A.C.  
Reports Officer

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OSS Form No. 1046

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15.499  
China

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HQ. OSS.SU. DETACHMENT 808 CBI  
APO 887

15,497  
China  
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14 October 1944

SUBJECT: Notes on Chinese Politics

TO : 109, via Colonel John G. Coughlin, HQ OSS CBI APO 885

1. Please find herewith a copy of "Notes on Chinese Politics in Eastern China" prepared at my request by Lt. Col. Wilfred J. Smith.

2. Few, if any American officers, know the personalities discussed as well as does Col. Smith. None have had a better opportunity of watching recent developments in Eastern China. This is unquestionably an AI report. VA/KM-27-44

*Robert B. Hall*  
ROBERT B. HALL  
Colonel, AUS  
Commanding

HQ OSS CBI, APO 885, 13 Oct 44

TO: Director, OSS, Wash DC

1. Forwarded.

2. The inclosure was shown to and discussed with John Davies. John thought it was well written and showed a real appreciation of the picture. He rated Smith as quite keen in his description and analysis of the situation and asked to have a copy. He felt it was particularly timely as it would strengthen his own convictions and thus help him present a stronger case to General Stilwell who he expects to see in the next few days. Davies has been scheduled to leave here daily now for the last three days only to change at the last minute.

3. Colonel Smith is anxious that his name not be connected with any political report because of General Chennault's feelings in such matters. For that reason the source should not be named if there is any chance of it going back to Chennault. Davies was so advised and agreed.

*John G. Coughlin*  
John G. Coughlin,  
Colonel, Inf.,  
SSO, CBI.

1 Incl: n/c

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HQ. OSS.SU. DETACHMENT 202 OBI  
APO 627

30 September 1944

SUBJECT: NOTES ON CHINESE POLITICS IN EASTERN CHINA

TO : C.O., Det. 202, OSS.SU., APO 627, OBI

1. At the outset, the undersigned wished to state that the following notes are not intended as a definite analysis of the political pot now seething in Eastern China. The picture is too complex to allow one to depict it in a few deft strokes and pretend that it completely portrays the entire truth. Half truths are easy to obtain by any observer and a too hasty attempt at reading their report will only result in sensational reporting scarcely more dignified than journalistic rumor mongering. The undersigned has sincerely tried to be objective in the following comments but he has lived in China too long to hope to be entirely right either factually or in the matter of conclusions drawn.

2. As the war has progressed, Eastern China has suffered increasingly serious impairment of its economic structure. Inflation largely caused by a diminishment of commodities has brought in its train political and social dissatisfaction. Maladjustments resulting have disrupted the life of the middle class and brought official corruption to a high state of development.

3. Eastern China, in spite of its nominal membership in the Republic has never consciously and wholeheartedly felt a oneness with the country as an entire entity. Warlordism once rampant was never completely eradicated and political gangsterism in partnership with military strong armism was an all too common pattern, in the body politic. This was matched by a mounting wave of civilian discontent which has seethed underground for years. Inarticulate as their movement was, it floundered for months without compass course to steer by nursing its grievances but incapable of alleviating the hurt. The suppression of communist organization in Kwangsi Province in the 30's failed in eradicating the movement but drove many intellectuals of diverse groups. The communist slogan and well known trapping of the party have been discarded and skillful leadership has welded altogether into an opposition group opposed to continuing status quo government which has been unable to mitigate economic distress.

4. Today a coalition of military and civilian opposition groups has been accomplished with results which can only be guessed at this time. Military leaders involved include among them no less a person than Chiang Ching-Kuo, son of the Generalissimo. Others are Chang Fah-Kwei, famous "old ironside" of civil war days, Hsieh Yo, Commanding the Ninth War Area, Pai Chung-hai, Deputy Chief of Staff to the Generalissimo, Yu Hsiang-mou, Commanding the Seventh War Area and Li Chi-sen long remembered as former commander of the old Fourth Army.

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5. The principals named above have long been suspected of collaborationist tendencies. In the fall of 1943 danger signals in eastern China brought the Generalissimo to Kweilin on an inspection trip. This eventuated in the much discussed NANYO conference of last November. The Generalissimo played every card with the finesse of an expert. Hsieh Yo was publicly promised for his services the Tungting Lake operations just concluded and in two secret conferences he was told by the Generalissimo that his conduct had won for him the generous military support from the Central Government. Li Chi-sen was flattered and promised troops to command, Chang Fah-Kwei had his wings clipped, his forces curtailed by transfer of certain units elsewhere. Yu Han-mou was scolded for what the Generalissimo described as inadequate preparations in the Seventh War Area for either offensive or defensive operations against the Japs. The net result of the NANYO conference was a temporary divide and rule gain for the Central Government.

6. Following the conclusion of the Tungting Lake campaign last Dec. General Hsieh Yo, Commanding the Ninth War Area, was asked how long it would take to rearm and recuperate after the losses he had suffered. Hsieh Yo replied that he would require a period of at least six months. It is unquestionably true that the above estimate by Hsieh Yo was made contingent on the delivery of certain supplies in quantities named during secret meetings at NANYO.

7. It was the belief of many in high military quarters that the spring of 1944 would see Chinese armies abandoning defensive tactics and launching a far reaching offensive including action throughout the entire Yangtse Valley. To this end a detailed military plan was actually formulated and was scheduled for operation in April. This plan was more ambitious than the plan entertained for September, 1943 which primarily called for action in the upper Yangtse in the vicinity of Ichang.

8. Supply problems and in particular demands made by the Battle of Burma rendered the April offensive only a paper plan. In addition it is the writer's opinion that security given the plan was not of a high order. It would be more surprising if an examination of every file would fail to yield a copy of the whole operation as originally contemplated.

9. Instead of anticipated Chinese offensives, the Japanese seized the initiative and launched what bids to be for the strongest effort ever launched by them against the Chinese. At the outset of the campaign from May 25th throughout June, Chinese intelligence and military heads estimated Japanese forces to be in the neighborhood of two hundred thousand all told. This figure whether exaggerated or not represents unquestionably more than double the strength employed by the Japs in any previous routine rice gathering expedition in the Tungting Lake region.

10. Hsieh Yo apparently was ill served by his G-2 branch, because on 10 May 1944 he in company with each staff head in his headquarters adopted an attitude of complete skepticism that any attack would eventuate prior to July at the earliest. This attitude was reiterated in the face of queries and warnings as to Japanese supply accumulation in the Hankow area.

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Hsieh Yo was convinced that the Japanese campaign in Honan would fully occupy the main Jap effort and forestall any immediate attack against his area.

11. The launching of the Jap attack against Changsha in the closing weeks of May caught Hsieh Yo unprepared and the tactics employed by the enemy were foreign to his experience in previous campaigns. A strong holding force advanced south from Yochow the traditional route for attacking Changsha. But at the same time another force was set in motion moving on General Yang Seif, 80th Army at Pingkiang and a third threat developed in the direction of I-yang on the Changteh-Changsha highway. This three pronged drive placed Hsieh Yo in the horns of a dilemma. Deployment of any sizable body of troops from those defending Changsha might mean a Japanese "play thru center" by enemy units in the Yochow sector. Chinese Ninth War Area field intelligence was not equal to the demands imposed on it and General Ling the G-2 admitted that his reports were at least twenty-four hours late and too often spotty. It was impossible to tell accurately where the enemy strength lay whether on the right or left flank. In consequence Ninth War Area armies were sometimes immobilized until development for crisis which found them powerless to avert.

12. The battle of Changsha itself was doomed to failure from the start and the defeat was the result of overwhelming enemy superiority and mediocre staff work. General Chang with six regiments of the 99th Division held Yolushan Key artillery position guarding Changsha. The high tide of the Japanese attack found enemy numerical superiority as great as two to one and a far greater advantage in terms of leadership. General Chu, Ninth War Area Chief of Staff was in Yolushan and "advised" General Chang to shift two of his six regiments to Yolushan because the Yolushan heights if captured by the Japs would make the defense positions in Changsha city untenable. Chang demurred on grounds that such would be in violation of the strict letter of his orders. Chief of Staff Chu, telephoned Hsieh Yo then at his temporary field headquarters in Chuting, but he phrased his request so weakly that General Hsieh Yo replied as confident in Chang's ability to successfully carry out the original plan.

13. Weakening of the Yolushan defenses and their capture ended all hopes for further defense of the city itself. The capture of Yolushan involved the loss of most of the sixty-seven artillery pieces as only two were later reported as retained by the Chinese.

14. Fall of Changsha marked the end of the final phase of the current campaign. Hsieh Yo adopted the used Chinese stratagem of permitting the enemy to penetrate in depth while threatening his flanks. In this case he made the Chinese center absolutely hollow and the Japanese discovered that it was unnecessary to employ more than a bare token force in moving thru the Chinese center. This enabled them to employ powerful forces in wide sweeping flanking moves which resulted in a double envelopment where Chinese forces waiting to envelop Jap units found themselves threatened with a dose of their own medicine. A strong disagreement as to tactics arose between Hsieh and the Generalissimo and the former was severely censured by the Generalissimo for risking a defense at Changsha.

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15. Threat to the Chinese flanks caused rearrangement of their plans and while this was in progress, Japanese mobile columns preceded by swarms of plain clothes men pushed rapidly south toward Hengyang. The announced Chinese plan to defend Hengshan was quickly abandoned on approach of the Japanese spearhead. And the work of plain clothes men demands a note at this time for it has not only military significance but also carries a tale of political interest.

16. Plain clothes men have been traditionally employed by the Japs in previous campaigns and they were for the most part natives of Shantung recruited and trained by Japanese army officers. Dangerous as they had proved still their stature and speech made their detection not too difficult a problem. But in the present campaign a large number of Hunanese traitors have been encountered. They, for the most part, are the followers of Tang Sung ming, younger brother of Tang Sung-chih, one time premier of China. Tang Sung ming had at one time been a candidate for the position of commanding general Ninth War Area, but was passed over in favor of General Hsieh Yo, the rancor of this disappointment lingered and he soon joined the ranks of pro-Jap puppets at the same time swearing eternal hatred for his rival. It has been the Tang clique which has provided the more dangerous members of the Japanese plain clothes gangs. Of course some have been induced to join up for purely mercenary reasons, and others joined because of hatred to Hsieh Yo who with his staff are foreigners in so far as they are Cantonese.

17. In this connection it is interesting to note in passing at least the antipathy toward Hsieh Yo in certain circles and to briefly analyze some of its origins. To the provincial Hunanese he is a rank outsider, this fact has caused certain groups to spring into being such as the Hunan Reconstruction League-an anti Hsieh Yo society which flourished in Kweilin. That it was purely a provincial opposition group is difficult to believe and it is not unlikely that part of its violence and hate for the general was enemy inspired. Japanese propaganda worked overtime on the troops asking the question, "Soldiers of Hunan, why do you fight for a foreigner and his missions?" In addition to the hatred already cited, the Central Government regards Hsieh Yo with hardly more than a jaundiced eye. As the Tiger who defended Changsha in three previous campaigns he achieved a fame which might be coupled with a dangerous degree of ambition. Weakened as the Kumintang party has been by the stresses of war and the dilutions in its membership by forced compromises, it can ill afford to watch with equanimity the rise of any strong individualist. Therefore the Central Government has given Hsieh Yo the kiss of betrayal. Promises made during the NANYO session in November 1943 were only paid in part in terms of military equipment.

18. General Hsieh Yo stands today with his past victories tarnished by the suffering of recent defeats but the present military situation in eastern China contains much more than meets the eye at first glance. Two things must be kept in mind, one is that China's armies are weaker today numerically and in terms of equipment than was true a year ago and secondly that political considerations far transcend any military consideration. Another point is interesting in passing, namely that

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the Chinese in eastern China for the most part lost the last flickering spark of their will to resist on the day that Admiral Nimitz announced his intention of landing on the Chinese coast. Many officers now shake their heads and with a puzzled look ask almost accusingly why the Americans have not made good their promise.

19. The battle of Hengyang was a political as well as military struggle. Rumor from excellent quarters indicate that Hsieh Yo was ordered to set up his command headquarters at Lingling but he placed them instead at Leiyang first and then at Chenksien. Here he directed his forces comprising the 20th, 26th, 37th, and 44th attached 58th and 4th Army reorganized after the Changsha defeat. The eastern Chinese flank was commanded by Hsieh Yo while the western flank was the responsibility of General Wang Yoo-wu of the Sixth War Area directing the 74th, 79th, and 100th Armies. The 62d Army with one division of the 63rd fought on loan from General Yu Han-mou commander of the Seventh War Area, but their control was maintained in Kweilin and vested in Pai Chung-hsi, although he denied that he had any command function, but was only observer and adviser representing Chungking. A three way command was one reason why the beleaguered 10th Army in Hengyang under General Fang was left to its fate. Sixth War Area troops for the most part showed little zest for combat and constituted mainly a holding force, the 62nd Army although badly mauled in one attempt to push into Hengyang was too often harassed by marching and countermarching according to uncertain orders which said advance and then cried halt. General Hsieh Yo ordered his command to fight and without doubt the burden of the fighting was done along the east flank in the neighborhood of Anjen, Chaling, Hsiao-huiper and the 58th even pushed west as far as the river capturing Chuting and Kantien. The net result of it all has been that Hsieh Yo has lost in men and equipment to such an extent that his enemies can almost regard him as a Tiger without teeth and one whose claws are blunted. To many he is now only a "has been" and no longer a figure to reckon with in the picture of post war China. But battered as he is Hsieh Yo can not yet be considered as defeated in his political ambitions.

20. Because it is true that the campaign has been dominated by political and not military considerations, unity of command has never been achieved and the task of the enemy made easier than could normally follow. Equipment old at the beginning of the summer has deteriorated until some units with weapons once classed as rifles are now smooth bores. Maldistribution of equipment is another problem - and one unit of the 4th Army had recently 16,000 effectives with only 2,000 rifles. In another unit a battalion relieving the line took over the rifles from the troops being replaced and so on "ad infinitive."

21. Armies and divisions not full strength on the start of the campaign find their ranks now decimated by battle casualties, desertions and ravages of diseases. The 62nd Army is but a shattered remnant and the 100th Army have at the most five thousand fighting men and the 27th has practically disintegrated. The pattern now is of armies melting away into Guerrilla bands and the coming winter will find the hills of Hunan and Kwangsi filled with guerrilla or actual guerrillas. Organized resistance as such has virtually ended and the campaign has developed into a guerrilla operation.

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22. This is partially caused by the will of the eastern militarist to survive thru conservation of what little is left to them and to band together for mutual preservation. Coalition is the keynote at the moment - and it will take shape in either actual separation and autonomy for east China or in formation of a government system giving the semblances of lip service to the Central Regime.

23. Capital of the new order will most likely be KANGHOW where emissaries of Yu Han-mo and in particularly Hsieh Yo have been enquiring for quarters during recent weeks. Titular head will probably be Chiang Ching-Kwo whose differences with his father the Generalissimo have been frequently apparent. He could give color to the friction of loyalty to the Generalissimo or he could conceivably place his feet on the road to power in his own right. Although at the moment Chiang Ching-Kwo has the spotlight, his closest rival to leadership of the group is Li Chi-chen whose reputation is not marred by recent defeats and who was commanding the 4th Army years ago when Hsieh Yo was only a mere Regimental Commander. Yu Han-mo is not to be considered as a contender for leadership and the same can be said of Chang Fat-kwei. General Yu is dominated by the Canton clique whose ambitions are political "wait and sees" waiting patiently for the turn of the tide to reenter Canton triumphantly the minute the Japanese withdraw. Meanwhile trade with occupied China constitutes some consolation for territorial losses.

24. Hsieh Yo has reconciled himself to utilizing his battered forces in guerrilla operations. General Teng, one of his Chief Staff officers has already been directed to start the organization on a rather comprehensive scale. Hsieh Yo sees in the future a promise that he may through guerrilla warfare prove of real aid to American naval or other forces landing on the coast in east China. By these services he can help his friends the Americans whom he genuinely likes. But the help may also bring with it as reward the gratitude of the U.S. Government which if translated into material terms might place him on the road back to power in the post war era.

25. Separation for East China in attenuated of extreme form seems inevitable. It is but a foreshadowing of things to come when the full power of the centrifugal forces now held in abeyance come into play at the end of the war. That the experience will work in Eastern China is as problematical as geographically its area will be an economic entity on its own meager resources and under nourished by a thin trade with Jap controlled areas.

26. Among many, are viewing the present developments with interest. Tai Li, potent Gestapo leader and who has spent most of the summer in Kueikien where he has been very active. Never strong in either Hunan or Kiangsu, he has been concentrating things with keen concentration. Marshal Tai Li has not yet shown any outward signs of willingness to collaborate but he has time to consider his bet.

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Sitting north and next to the disaffected areas he has the advantage of throwing in his support if the venture proves successful - or he can eloquently demonstrate his abiding loyalty to the Generalissimo by thwarting the movement if separation grows puny. Of all interested parties Ku Hsu-tung occupies the most enviable position because he of them all can afford to wait.

WILFRED J. SMITH  
Lt. Col., A.C.

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Subject: Chinese Communist viewpoints on Chinese political situation.

To: Major General William J. Donovan

(The following notes are based on ~~various sources~~ information secured during the course of a six months stay in Yenan. Much of ~~this information~~ is based on personal and completely unofficial statements from various Communist leaders. Some of ~~this information~~ has been presented to American military authorities with the specific request that it not be made available to the American Ambassador; much of this information has been in theory made available to General Wedemeyer alone. It will be highly embarrassing, therefore, should ~~misinformation~~ the information contained in these notes reach non-OSS quarters)

### I Communist views on negotiations with the Central Government

1. The Communists received General Hurley in Yenan, in early November, with a good deal of elation. General Hurley was the highest ranking American officer to visit Yenan and was the personal representative of the President. General Hurley's conversations in Yenan further bolstered the hopes of the Communists. In meetings with Mao Tse-tung and Chou En-lai a series of proposals was drafted which were to be the basis of negotiations with the Central Government. In general these proposals called for creation of a Coalition Government, recognition of the legality of military forces, proportional distribution of military supplies, recognition of the validity of governments established under Communist control in the J. space area, an end to an arrest of good faith, immediate release of political prisoners. The Communists state that General Hurley took an active part in drafting these proposals and that they were convinced that he would give the program his personal backing. When ~~General~~ Hurley returned to Chungking, Chou En-lai accompanied him to carry on negotiations with the Generalissimo.

2. From the Communist point of view the negotiations in Chungking were unsatisfactory. Chiang did not see Chou En-lai for a considerable time and the interview was, according to Chou, so perfunctory as to be studiously insulting. The proposals which had been drafted in Yenan were met with a counter-proposal. Chiang suggested establishment of a Council, semi-executive, semi-advisory, in which the Communists together with the other minority parties would be represented. Whatever the Central Government's real motives may have been, the Communists believed that the new Council would be too vague in function and too limited in power to be of any value. They regarded the offer as a device by which Chiang intended to escape outright refusal of the Yenan program, a measure by which he ~~could~~ could avoid real concessions without incurring the odium of obstructing negotiations. Similarly the Communists regretted the Generalissimo's removal of Ho Ying-ch'ing and Ch'en Li-fu from the ~~various~~ Ministries of War and Education, which took place at the time that Chou was in Chungking, as an obvious sop to American opinion. They pointed out that Ho retained his potent position in the Military Council and that Ch'en retained his party controls. The announcement by the Chungking radio that negotiations with the Communists had resulted in an "Agreement in principle" was taken by the Communists as another indication that the Central Government was more interested in allaying American opinion than it was in reaching a settlement. Chou En-lai left Chungking, carrying Chiang's counter-proposal, ostensibly to consult with his party. Actually, it was clear to Chou that the counter-proposal was so unsatisfactory to the Communists that further negotiations would be difficult if not impossible.

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3. ~~XXXXXXXXXXXX~~ The Communist leaders, after Chou's return to Yenai, were of the opinion that negotiations had failed and could only be resumed if the Central Government were to reconsider the original Yenai program, or were to provide a completely new basis for negotiations. At General Hurley's specific request, the Communists refrained from publishing the proposals and counter-proposal, ~~XXXXXXXXXX~~ a step which they would normally have taken at this point. ~~XXX~~ In an important policy speech to the People's Political Council, however, Mao Tse-tung made it ~~XXXXXXXXXX~~ clear that the Communists would now proceed on the basis that negotiations had failed. He gave a general exposition of the Chungking negotiations, and then went on to list the terms which the ~~XXXXXXXXXX~~ "Border Regions" should undertake in the year 1946. He stated that all democratic-minded people in Kuomintang controlled China, "the Great People" in Communist territory, should agitate for creation of a democratic coalition government. He ~~XXXXXXXXXX~~ invited patriotic youths from these areas to come to the Border Regions to aid in anti-Japanese work. ~~XXXXXXXXXXXX~~ By stating that one of the chief tasks for 1946 was to organize areas occupied by the Japanese in their Hunan and Kwangtung campaigns, he made it evident that the Communists were going to undertake active expansion in Central and Southern China - areas which are formerly controlled by the Kuomintang. ~~XXXXXXXXXX~~ Mao Tse-tung, with his remarks in tone, was ~~XXXXXXXXXX~~ in many ways the strongest statement that had yet come out of Yenai.

4. A few weeks later General Hurley sent a message to ~~XXXXXXXXXX~~ Mao and Chou stating that he believed there was no prospect for successful negotiations along the line of the original Yenai program and requesting Chou to come to Chungking again. ~~XXXXXXXXXX~~ Mao and Chou replied that they had no evidence that the Central Government was "sincere" and requested that Colonel Marshall be sent to Yenai to inform them of the progress for negotiations. ~~XXXXXXXXXX~~ Mao's idea, of course, being that he had made any attempt to negotiate, or was ready to make a settlement. Meanwhile Chou had made his speech promising the ~~XXXXXXXXXX~~ convening of a National Constituent Assembly within a year if military conflict should persist. This ~~XXXXXXXXXX~~ speech elicited an editorial in the Yenai liberation daily, attributed to "authoritative Yenai circles" but actually written by Mao, which constituted the sharpest attack on Chou's sincerity and anti-patriotism which Yenai had made since Civil War days. Part of the comments by the Chungking press that day, filled up with the Communists were "successfully proceeding" in order to soothe Yenai's feelings.

5. Late in January, General Hurley sent ~~XXXXXXXXXX~~ the military attaché to Yenai with another invitation to Chou to come to Chungking. Hurley stated that a new Chungking proposal to establish an executive council was in his opinion the creation of a real Chinese War Cabinet. He requested that the Communists send Chou En-lai to sit on this Council. Hurley's message caused considerable consternation in Yenai. In the first place the Communists had by now become quite bitter against Hurley. They believed that he had allowed the KMT to place them in a false position by failing to see through what they considered to be patently insincere Central Government proposals. They had also become convinced that information which went to the Ambassador was not treated with sufficient discretion and found its way into KMT hands. They believed that the ~~XXX~~ proposed new council was not essentially different from the one they had already refused to regard as satisfactory and were loathe to give the Central Government grounds for further propaganda on "unsuccessfully proceeding negotiations". ~~XXXXXXXXXXXX~~ A fact the Communists leaned toward the idea of sending no one or of sending some one other than Chou En-lai. Finally, however, with no expectations of success in the negotiations, but with a desire to avoid any appearance of obstructing ~~XXXXXXXXXXXX~~ General Hurley's efforts at mediation they decided to send Chou En-lai to Chungking.



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6. Hurley's invitation to Chou En-lai was doubly embarrassing to the Communists because it came ~~two days after they had initiated~~ only a few days after they initiated their own attempt to by-pass Hurley in presenting their story to the White House. The Communists had sent a message to General Tse-tung, expressing their desire to send a mission to the United States to present their case. They stated that either Chou En-lai or Chou En-lai or both of them, would be ~~willing~~ available for such mission, should an invitation from Washington be forthcoming. ~~Implicit in the message was an attempt to by-pass the American Ambassador in China.~~ The Communists unofficially admitted that they were not satisfied that the facts of their case were being correctly presented to the President. At approximately the same time the Communists sent a message to General Tse-tung offering to send available documents on negotiations between Chiang and Koko, with the proviso that this information should go to Tse-tung alone and not to Hurley. Such a message could only mean that they were not satisfied with Hurley's narration. ~~It was also~~ It is probable that despite the embarrassment which Hurley's invitation to Chou En-lai at this juncture, the Communists were to some degree influenced in their refusal to send Chou En-lai to Chungking by the possibility of direct contact with high ranking American military men when they believed Chou En-lai would have in Chungking.

7. The proposal to arrive in Chungking to learn that the KMT proposals for a council of war, been rejected by one of the other so-called "minority parties" the "United Front" of various parties. Since this party had already been informed to be well acquainted with the Communist in the Communists, it is evident that there was little chance that the proposal would be accepted by the Communists. As of 17 January Chou En-lai believed that his trip would be a result and seemed to return to Yenan. ~~It was~~ ~~that~~ ~~the~~ ~~Communists~~ ~~officially~~ that the Communists would still be willing to negotiate on the basis of the original proposal which General Hurley had submitted in Chungking in Yenan, but that there proposals were minimum and nothing else would be regarded as satisfactory.

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p. 4

Communist Views on the present balance of power in China

8. The Communists believe that at the present time they are both politically and militarily stronger than Chiang Kai Shek. They state that they have no rival aside from the Japanese in the areas North of the Lunghai RR. Trained American observers who have recently returned from Communist areas in Shansi and Hopei agree that Communist control in those regions is unassailable. The Communists claim strong positions in Kiangsu, Anhui and the Yangtze Valley. These claims are also borne out by American observers. There is less confirmation for Communist claims of that they are rapidly expanding their position south of the Lunghai and East of the Hankow-Canton RR, but there is no evidence that these claims are unfounded. Communists have privately stated their belief that within six months they will have effective control of all of Japanese-occupied China, leaving

9. On the other hand the Communists point out that Chiang Kai-shek has lost control of all territory East of the line Loyang-Hankow-Hengyang-Hsiuchow-Canton. Sinkiang they state is not yet firmly controlled by the KMT. Yunnan, with Governor Lung Yun, is on the fence. ~~Shiangxi, Kweichow, Kwangsi, and Kiangsi are semi-independent.~~ The Tibetan border provinces are semi-independent. Chiang, they believe, has real control only in the provinces of Szechuan, Kweichow, and ~~Kansu~~ parts of Kansu. Even in these regions the Communists believe that there is important but as yet unorganized opposition to the Central Government.

10. Domestically, therefore, the Communists believe that Chiang is in a very weak position. They do not believe, however, that what they regard as Chiang's complete unwillingness to make a settlement is based on mere stubbornness. They evidently regard Chiang as a very able practitioner of power politics. They attribute his firmness and confidence to Chiang's reliance on two powerful factors: ~~his own American support and Japanese support.~~ American support; Japanese support.

11. ~~Communist views on American support for Chiang.~~ The Communists appear to have no particular disposition to quarrel with American diplomatic support for Chiang. Chiang they say ~~has been recognized even by~~ themselves as the President of China and naturally should be regarded as such by the American Government. Nor ~~are~~ the Communists disturbed by the ~~present~~ American policy of making support for themselves contingent upon a political agreement with the Central Government, although they now state that since these negotiations have failed, and since it is - to them - apparent that the Central Government is not going to make a settlement it is up to the United States to decide whether or not it will now reconsider this policy. The Communists ~~do~~, however, make no bones about their belief that American military aid to Chiang, to the extent that this aid is not strictly controlled and ~~used~~ actually used against the Japanese constitutes direct intervention in a Chinese political struggle which as things now stand will probably eventuate in renewed civil war. The Communists, who have an excellent intelligence service, appear to have at the very least a general idea of American plans to train and equip a number of Central Government divisions. In so far as these divisions are not actually used against the enemy, they say, - and their belief in Chiang's willingness to use these divisions is not great - ~~the United States is backing Chiang in civil war.~~ The Communists regard present and future American aid to Chiang as one great factor in his present refusal to reach a settlement.

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12. Communist views on Chiang's relations with the Japanese. The Communists believe that Chiang, in negotiations with Koiso, has assured himself of valuable support from the Japanese armies in China and Manchuria in ~~the event of~~ the eventual civil war. They believe that these agreements also give Chiang some guarantee of the present security of Chungking. Although American support, in Communist eyes, is the greatest immediate factor in preserving Chiang's regime, Chiang will, they believe, secure more benefit in the long run from his agreement with Koiso. The Communists have forwarded to General Wedemeyer, for his eyes alone, and with the specific restriction that the information not go to General Hurley, documents which they claim establish the fact and the tenor of Chiang's negotiations with Koiso.

13. The general arrangement between Chiang and Koiso, is, according to the Communists, along the following lines. At a certain stage in the war the Japanese will move military and industrial equipment into given cities. Chiang will have these cities proclaimed open cities. The Japanese army will oppose Communist entry into these cities, or Chinese uprisings in the cities. They will facilitate the entrance of Central Government troops. The Japanese will then surrender ~~to the Central Government~~ these localities to the Central Government. In like manner the Japanese will hold lines of communication until they can be taken over by Central Government troops and will assist in the movement of Chungking troops along these lines. In this way the Central Government troops will be installed in as much as possible of the present Japanese occupied territories. The Communists believe that the Japanese will attempt to get Chungking troops through Communist-held North China to Manchuria - an operation which would not be feasible without thoroughgoing Japanese cooperation - and that the Japanese will attempt to hold Manchuria against Russia until they can surrender it to Chungking forces.

14. ~~That the benefits to Chiang from the agreement with Koiso are~~ ~~that Chiang will use~~ ~~his good offices in the interests of the Japanese~~ ~~at the time of the~~ ~~eventual peace settlement.~~ More important, to the Communists, ~~is the fact that~~ Chiang agrees to make full use of Japanese military and technical personnel, ~~is thus~~ providing a cover under which the Continental Japanese armies can maintain at least the nucleus of an effective general staff.

15. The benefits to Chiang from this deal, in terms of immediate supplies of military equipment, in terms of Japanese military assistance in reaching regions he could not otherwise reach, and in terms of Japanese assistance in the exploitation of Chinese and Manchurian industry, are, according to the Communists, very clear. Benefits to the Japanese are less immediate but Communist analysis of Japanese motives runs along the following lines. The Japanese know they are losing the war. They regard it to be of the utmost importance to preserve a staff of military and industrial experts on the Continent. The Japanese are in a position now (xx) at Liuchow from which they can exert direct military pressure on Chungking. They have already destroyed the offensive power of Chiang's armies. They are certain that he cannot blick them now. They are convinced enough of the essential weakness of his regime to be sure that in the five or ten years following the war he will want their assistance against the Communists and will not be in a position to double-cross them. The Japanese will thus secure a continental base for a well developed military and industrial staff. From this base they expect to eventually restore in Japan the type of government with which they can resume their expansionist career, and at this time they will already have done much to create a Chinese-Japanese bloc against the outside world.

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16. Communist Intentions. It is naturally ~~very~~ difficult to determine Communist views on their own probable course of action. They are close-mouthed on their plans and particularly on their possible relations with the Soviet. In general however, from private conversations, it is reasonably clear that the Communists will proceed along the following lines. They will make every effort to continue to win sympathy and support from the United States. This will take the line of carrying out any possible methods of military cooperation and of ~~much~~ placing their case before American official opinion in as favorable a light as possible. To the Communists the United States is important as the only possible effective mediator with the Central Government, and as the nation which is best placed to hurt them or help them in the immediate future. If the United States continues its present policy and if, as the Communists believe ~~such a policy eventually will be~~ the case, Chiang makes use of continued American support to keep himself in position for a final showdown with the Communists, the Communists will undoubtedly appeal for Soviet intervention. They appear to be assured that they will receive full support from the Soviets should they make the appeal. As a counter to Chiang's agreements with the Japanese it is ~~seemingly~~ probable that the Communists ~~will~~ ask for an early Soviet intervention in Manchuria while they themselves deny North China communications to both the Japanese and Chiang - although this probability is only vaguely alluded to by the Communists in very private conversation. All in all the Communists would prefer to cooperate closely with the United States, and to reach an understanding with the Central Government by which they could peacefully pursue their political activities in a united China. They will not, however, give up what they have already achieved and will undoubtedly fight to hold their position. Should Russian intervention prove necessary they believe they are in a position to get it.

This report was prepared  
by Charlie Stelle ...  
it is a hastily report -  
since his former channel  
(the Dixie member) is  
out O.S.P.

RT

To: Lt. Futzell

~~SECRET~~

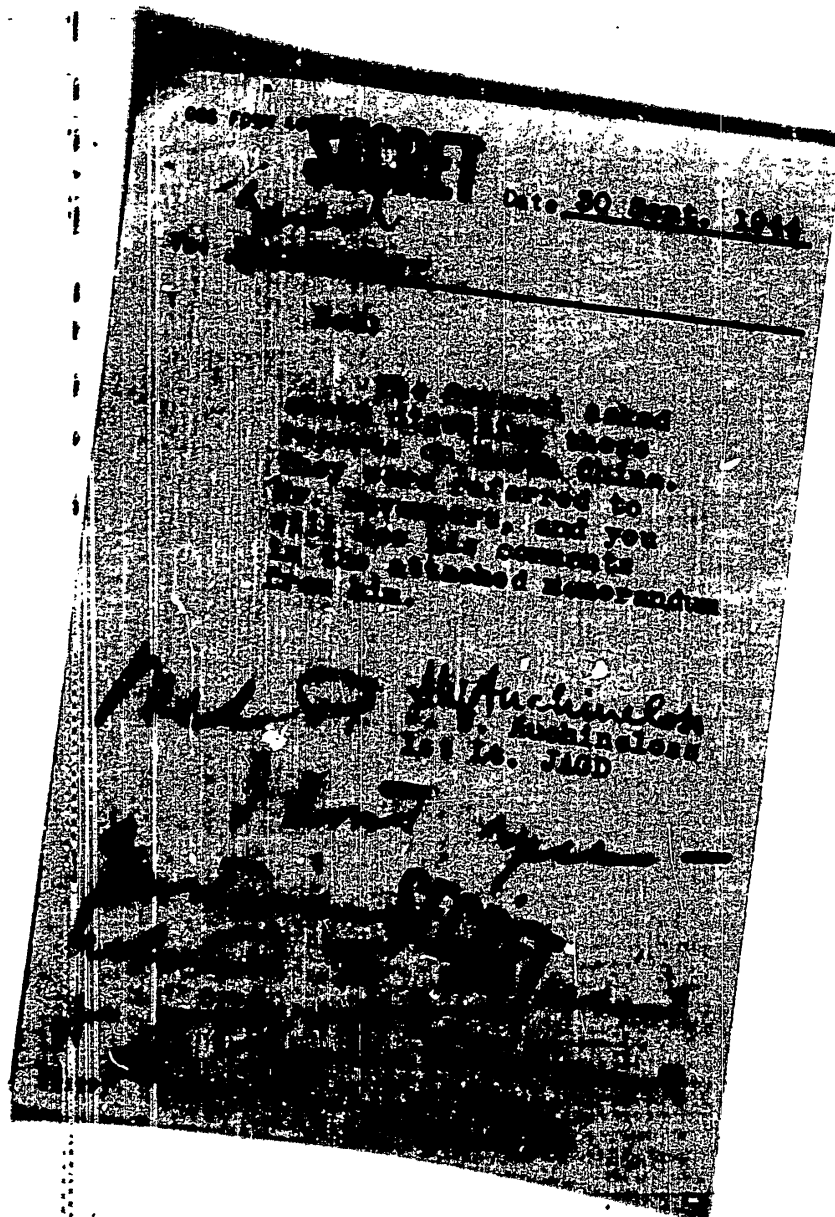
The SI Report Board has already sent copies of the attached report Nos. 1 and 2 to the State Department, so the General's request has already been complied with.

J. W. Auchincloss  
1st Lt. JAGD

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Thermin

*Paul W. [unclear] after [unclear] was  
[unclear] night WFO - This much of  
Office of the Secretary at [unclear]  
[unclear] file you may find [unclear]  
[unclear] the property I have [unclear]  
[unclear] Mrs. Griggs. [unclear]*



OFFICE OF STRATEGIC SERVICES  
WASHINGTON, D. C.

29 September 1944

China 109,423  
x Staff, China  
SECRETARIAT

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1944 SEP 30 PM 12 26

MEMORANDUM FOR Lt. J. W. Auchincloss  
SUBJECT Attached Chinese Reports

OSS

I return the reports sent me with your memorandum of 28 September which I referred to the Current Intelligence Staff. They have examined them and advise me that these reports cannot be intelligently digested. They contain no new intelligence but would be interesting reading to anyone versed in North China affairs. If it is desired to send them to Mr. Chase at the State Department, they recommend that verbatim copies be sent.

*JSD*  
John S. Davenport, III

OCS Form 4151

Date 9/23To: General Donovan

Of the attached Stelle reports about which you inquired Mrs. Griggs says only the top two are appropriate for the State Department, that she forwarded them all to you for your information.

*These letters  
are  
can be put*  
E. J. Putzell Jr.

Office of the Executive Officer

(30449)



Office of Strategic Services  
Washington, D. C.

19 September 1944



TO: Mr. L. Banger

FROM: Paul Ward (Assistant to U. T. Holmes, Jr.)

SUBJECT: Request for copies of Mr. Charles Stalle's reports.

Mr. A.S. Chase of the Chinese Affairs Section in the State Department has asked if arrangements could be made for him to receive copies of Mr. Charles Stalle's reports.

Mr. Stalle is the OSS representative in Yen-an, the specific area in Yen-an being described as the "Communist Area". Mr. Chase says that copies of dispatches submitted to the State Department by Mr. John Davies are made available to OSS, and he would, therefore, appreciate receiving any information submitted by Mr. Stalle so that the Department would have all the information being received in that area.

Need P

Will you  
Chase & me  
if any of  
these reports  
have come in?

*China*  
**SECRET**

X COMMUNISTS  
X UOTAW, MAURICE  
X MAO TZE-TUNG

28 September 1944

Miss Grace Tully  
White House  
Washington, D. C.

Dear Grace:

I think the President might be interested  
in the attached report on Chinese Communists. Will  
you see that it reaches the President's desk?

Sincerely,

William J. Donovan  
Director

Attachment

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*China*  
**SECRET**

28 September 1944

**MEMORANDUM FOR THE PRESIDENT**

I believe that you may find of interest the following report on the Chinese Communists. The information was obtained from certain of our representatives who are now with the Communists:

The Communist forces are composed of regular forces, militia and guerrillas. The regular forces are organized into the 18th Group Army of 320,000 men and the new 4th Army of 154,000 men. The militia is probably in excess of 2,000,000.

Since 1942 there has been little difference between regular troops and guerrillas. Both now receive orders through a regular chain of command and are supplied through the regular supply department. Guerrillas usually operate in plain clothes in fixed areas while regulars often move from one area to another and generally wear uniform. The equipment and training of the latter is usually slightly better. In addition to combat, the militia perform many other duties, such as acting as guides, carrying wounded, transporting

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captured material, acting as scouts and spies and mobilizing labor for gathering crops. Service in the militia is practically compulsory for all able-bodied young men in the Communist-controlled areas.

The degree to which the Communists control the areas in which they are operating varies widely. In the stable base areas, into which the Japanese can penetrate at most only a few times a year when they organize operations on a considerable scale, the Communist Government functions openly and factories are operated. Factory equipment is hidden if the Japanese invade the area. In the guerrilla areas the government is underground, sometimes literally so in caves and tunnels, and troops usually operate only at night and in plain clothes. In enemy territory Communist activity is limited to the work of intelligence agents and undercover organizers, raids and assassinations. In some areas in which the new 4th Army is operating there are no really stable bases.

Equipment of the regular and guerrilla forces consists principally of rifles. There are usually two light machine guns and two grenade throwers per company, and a heavy machine gun and mortar unit in each regiment. Most Base (Area) Head-

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quarters have an artillery unit attached. The supply of grenades is fairly ample, but there is a serious shortage of ammunition. The best equipped troops have only about 40 rounds per man and from 150 to 200 rounds per light machine gun. In the militia hand grenades and land mines are the most important weapons and old muskets and hunting guns are commonly used. All arms and ammunition are made locally or captured from the Japanese. None are supplied by the National Government. It is becoming increasingly difficult to capture weapons from the Japanese, although some are still being captured from puppet troops. Grenades and grenade dischargers are manufactured in considerable quantities. Some rifle ammunition can be manufactured but the quantity is small and the cost is very high. In early 1943 the cost of manufacturing one rifle cartridge was about \$100.00 CNC.

The ration varies in different areas. In the Shansi-Chaber-Mepel Area the standard ration is 22 ounces of millet per day, plus vegetables, salt, and oil, and about 2½ pounds of meat per month. Rationing and accounting are regularly discussed at meetings of each unit. Peculation by officers is severely punished. The health of the troops is not parti-

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cularly good, due to lack of protein and fats and to poor cooking. Troops are usually able, however, to march 25 to 30 miles a day over rough mountain terrain, carrying all equipment, without losing more than a few men.

Officers of the rank of colonel and above are usually old Red Army men. Officers below the rank of colonel are usually promoted from the ranks after instruction in officers training schools.

Morale in general is very high. The troops know what they are fighting for and even in the dark days of 1942 there was no lack of confidence in the final victory of the Allies. The Japanese have behaved so savagely that they are deeply hated. Discipline in essentials is good, and orders are carried out even to death. Popular support of the armed forces is extremely good. In the guerrilla areas the existence of the fighting units depends upon the whole-hearted support of the people and this is usually given.

William J. Donovan  
Director

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Mr. Pennington

Date 29 Sept. 1944

Enclosed the General asked  
for the following material  
to be obtained. Attached

are enclosed from Tokyo  
the following information  
which is not available  
in the United States  
and which is of interest  
to the War Relocation  
Authority. The information  
is being furnished to you  
for your information and  
for the information of the  
War Relocation Authority.

China 15,358

DATE: Sept. 22, 1944

MEMORANDUM

To:

From: H. F. Allman

Subject: Maurice Votaw

Maurice Votaw is an employee of the Chinese Ministry of Information.



China. 15,358

HEADQUARTERS  
OSS CBI THEATER  
APO 627

28 August 1944

Subject: Maurice Votaw's Interview with Mao Tse-tung, 18 July, 1944  
To : Chief S.I. Branch, OSS, Washington, D.C.

Please find herewith in duplicate the above subject material.

Source: Utica - 5  
Rating: Unrated

YA/CK-2-44

/s/ Robert B. Hall,  
ROBERT B. HALL,  
Colonel, AUS.,  
DDIS, OSS, CBI.

YACK-9 15358

Interview of Mao Tse-tung with Maurice Votaw, July 18, 1944

1. Question: What is the present relation of the Chinese Communist Party to the Russian Communist Party?

Chairman Mao said that there has been no connection between the Communist Party of China and the Communist party of the U.S.S.R. either in the past or now. In the past there was a relationship with the Communist Internationale, but this is no longer true. In the past, too, there has been no connection with the Communist parties of other countries. There is one exception. The leader of the Communist Party of Japan is in Yenan working with us, but there is and has not been any connection with the Japanese Communist Party in Japan itself.

2. Question: Do you think it is wise to retain the use of the hammer and sickle in decorations, on pins, badges, school armbands and the like, giving rise to belief of connection between the Chinese and Russian Communists? Also why the use of the five pointed star instead of the twelve pointed star of Dr. Sun Yat Sen?

Chairman Mao said: There has been no order issued to use the five pointed star, though some comrades have used it in various decorations and the like. In the army the 12 pointed star is used, in both the national banner and on uniform caps. The party flag has the hammer and the sickle. We are not concerned merely with the question of banners but of the nation as a whole. We adopt the policy of accepting critically the long tradition of China - we inherit that which is good and reject that which is bad or backward. This applies militarily, politically, economically, and culturally. This is also true with things coming from abroad. We accept that which would be harmful to our cause. We have accepted such things as Darwinism; the democracy exemplified by Washington and Lincoln; the 18th Century philosophy of France; the materialism of Field-Marshal, Marxism from Germany and Leninism from Russia. We have even chosen that which is good in Japanese culture. In a word, we accept anything from abroad that can be good for and useful to China. We reject the bad things, such as fascism. Such things as the type of Communism practised in Russia are not to be adopted in China, for the conditions in China are not ripe. Conditions are not present for the introduction of Communism. We accept the historical and methods from abroad in a critical way. In case there is something good we do not refuse to accept it in order to avoid being suspected. From the democratic and social parties we can get some good. Science knows no boundaries. Take for example International Women's Day and the 8-hour working day originated in the United States. The name Communist Party did not originate in Russia. The name they used years ago was Social Democrats. There is a communist party in England, France and Germany; there was a big communist movement in the 18th Century. The Communist Manifesto was developed by Marx and Engels, and the Russian Communist Party took the name much later in point of years. The Russians did not originate the hammer and sickle, but learned its use from abroad. It originated in 1848 in France, being used by the Paris Commune then. As far as the red banner is concerned, 700 years ago Chu Yuan-shang, in leading a revolution against the Yuan dynasty called his army the Red Banner Army. Modern cooperatives originated in England. If, however, we mechanically take over things here in Shensi the result may not be good. In Chinese society there is a tradition for labor exchange. The people have a tradition of exchanging labor with each other. When we reform the practices of the farmers and add new things to the old form, which is retained, such things are welcomed by the peasants. Here in Yenan for example, some years ago we gave big foreign plays. The people didn't like them for they did not understand them. So now we are using the native Yangko with little improvements such as in the form of folk dance and in the inclusion of anti-Japanese sentiments. The people like it and enjoy it. In the field of philosophy and science, of rifles and cannon, we learn from abroad. On the other hand in developing the broad masses in an anti-Japanese movement of self-defence we use our old style weapons such as swords, spears, native cannon and mines. More than 2,000,000

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members of the Peoples Militia use these weapons principally. In political science, we have learned democracy as a political system from abroad. Chinese history too, has its democratic tradition. The word Republican was used 3,000 years ago in the Chou dynasty when the people originated the term Republican rule. *Wim the Warring Kingdoms* Mencius said; The people first, then the state, then the king or emperor. The Chinese peasant has a rich democratic tradition. There have been hundreds of large and small peasant wars. Peasant wars have rich democratic traditions. The peasant government and army in the famous novel *Shui Hu* adopt a democratic form. The one to three system suits present conditions; the actual conditions in China today. The question of adopting Chinese form in accepting history and foreign conditions critically and not merely following blindly is very important. In carrying out our program we still have defects. During the past three years there has been a movement inside our Party against three bad things: subjectivism, sectarianism, and foreign stereotype writing. The movement is still active. Within a few days there will be a printed letter from Liu Tse-ju, a student in the party school, who has written of shortcomings inside the party. We are devising means to overcome them one by one gradually. The cause of misunderstanding is from three sides. First, not a few outside, second, in the past we have not made full explanations in a proper way to our friends and third, we still have some defects in our work.

3. Question: Is it true that Wang Ching-wei sent emissaries to Yen-an within the last year and a half to try and get the Chinese Communist Party to cooperate with him? The rumor was circulated both in Japanese occupied territories and in the great rear (Communist term for Free China) that Wang Ching-wei was sending emissaries to the border region. This rumor was purposely manufactured by those people who oppose us. They are slanders and calumnies, regardless of the sources; Japanese occupied territories or the great rear. We have not answered them directly for it is not good to answer such slanders directly. To say that they are purposeful rumors is quite enough. With regard to other similar slanders that we are engaged in murdering and burning houses and have endangered the nation, we take the same attitude with all such.

4. Question: Is there a resident representative of the Kuomintang in Yen-an? Would such a representative be welcomed? The Kuomintang has no standing representative, as a party, in Yen-an. The Military Affairs Commission has a representative here. We would welcome a standing representative of the Kuomintang here in Yen-an for if such were the case there could be constant contact between the two parties. The Kuomintang has never asked to have a representative here.

5. Question: General Chu Shao-chou, in Sian, stated that the original area designated by the National Government to comprise the Border Region was 11 hsien in North Shensi with the privilege of recruiting in these hsien. Mr. Lo Mai states the original designation was 26 hsien. Can you account for this discrepancy? Governor Chu's statement is untrue. There were not merely 11 hsien. The Kuomintang suggested that we have 18 hsien but we did not agree to this so the negotiations were not successful. Five hsien in the southern part of this district, belonging to us at the time of the Sian incident, were taken from us by military force. Up to the present time the Kuomintang has not issued us any public recognition, nor has it said how many hsien the Communist Party is entitled to have. In the present negotiations we proposed the border line be our present territory, and did not ask for the return of the five hsien but at the same time we do not want them to take any more of our hsien. Chairman Lin Bai-shu says that this part of our proposals has been accepted. But the Chungking authority doesn't want to recognize the popularly elected democratic governments in the enemy's rear. Other problems are still under discussion, so there

-3-

has been no definite result or conclusion of the negotiations.

Question: Kuomintang leaders have frequently said, privately, that wherever the 18th Group Army goes the political workers accompanying the Army unit or units push out the Central Government Administration and install a sovietized form of government, and that the Declaration of the Communist Party in September, 1937 that the policy of Communist propaganda would be discontinued (that is in areas other than the designated border region) has not been lived up to. Will you please comment on this report.

Communist propaganda and political work are designed to raise the fighting morale of the army, to consolidate relations between officers and rank and file, and to consolidate relations between the army and the people in order to guarantee victory in the anti-Japanese war. The Eighth Route Army and the New Fourth Army have three tasks. First to fight against the Japanese invaders; second to carry on productive activities; third to carry on mass work among the people. The purpose of political work in the army is to guarantee fulfillment of these three tasks. As to our Government, it is not only not Soviet in name but also not in fact. This has been true since 1937. The statement that in the September 1937 manifesto we said we would give up the propaganda and active practice. We never said it. There is a clear distinction between propaganda and active practice. Since the conditions in China are not right we don't practice Communism, but that doesn't mean that we give up communist propaganda. The time is not yet ripe.

In spite of what I have said above we have not, in fact, carried on much propaganda. As for confiscation of the property of the bourgeoisie, giving to him that hasn't and taking from him that has, we have not done that since the 1937 declaration. You can observe our propaganda from our newspapers, from our declarations, in our schools. What is counter to the fight against Japan, to the improvement of the livelihood of the people, to those we are opposed. In one word, the main purpose of the Chinese Communist Party is to fight against the Japanese invaders, to fight for democracy; these two things occupy the greater part of our propaganda. If a small part is occupied in spreading Communism, that is the communist conception of a world viewpoint. Dialectic materialism is propagated as method or style of work. This does not mean an advocacy of Communism or Socialist systems at the present time. For instance at the party conference of the Border Region held in May 1937 the decisions of the conference contained only one or two sentences stating that the evolution of society would ultimately result in a socialist system but that in China today there was no situation favorable for either communism or socialism. Out of all the statements that came from that conference, that is all that was said about communism. That is one reason we don't give up our name - Communist Party of China. Judging from the policy being carried out by the party at present and judging from the policy to be continued for a long time to come, it might be more apt to call the party a democratic party. But, because of our method or style of work, because our world conception is Marxist and because the result of evolution of human history will eventually result in the realization of Communism, we do not abandon or give up the name Communist Party.

7. Question: What do you think will be the future form of the British and American governments?

I will not deal with any questions today concerning foreign countries. I'd rather deal with questions relating to China. In China there are a number of people who believe that China after many years will develop a Chinese society and that the evolution will take the course of socialism. Dr. Sun Yat-sen entertained this idea. "Communism is the good friend of the San Min Chu I" said Dr. Sun. Again he said "Communist ideology is the principle of people's livelihood. The principle of people's livelihood is the practice of communism in China today. The concept of communism was in existence in ancient China. Confucius in Li Chi advanced his theory of Ta Tung. There are two stages, a republic and later a communist society. Socialism was adve-

-4-

ated by St. Simon in England and Fourier in France. Many people in America held that Lincoln also held some ideas of communism. "All people within the four seas are brothers" which is also a concept of Marxism. Jesus doctrines hold many grains of communist thought. Part of the Y.M.C.A. advocates principles of communism and are willing to cooperate with communism. Part of the name of Flaudin's Radical Socialists is socialist. The English have all sorts of socialist groups: Babington Labor Party and the like. Even Hitler calls his party "National Socialist Party." Because the masses like such a concept Hitler cheats them by giving such a name to his party. Class struggle and class collaboration are talked of by Communists. In the question of class struggles when the workers cannot breathe any more under the oppression of capitalists, they must resist in some way. Likewise, peasants are forced to resist when their oppression means that they do not have enough for life. Workers and peasants under unbearable conditions will resist oppression. Today, however, our resistance of oppression is only against Japanese aggression. We call on peasants in occupied parts today to oppose the Japanese and traitors. In anti-Japanese territory, Communist or Kuomintang we do not advocate strikes of workers or students or nonpayment of taxes or rent. We only call on society to propose to the government that living conditions of workers and peasants be improved. In our territory we carry out the policy of reduction of taxes, reduction of rent and reduction of interest as well as payment of rent and interest so that all classes, peasants and landlords can unite instead of fighting each other. We advocate cooperation and unity in every respect; cooperation between classes, parties, different national groups in China and cooperation between the different countries in the international field. Some struggles have been carried on because we have been forced to do so but they have been defensive in character. The ultimate purpose of these struggles was to advance unity. We have carried on any such struggle in a reluctant way and kept to the defensive. You can see for yourself the relationship of the different classes in the Border Region. They are all for unity. This is also true concerning all classes of people in the other anti-Japanese bases. Should the peasants confiscate land the landlords would go to some area occupied by the Japanese, obtain assistance and later return to the village to attack them. The peasants understand that confiscation of land is harmful to their own interests. The Communist Party has reason to persuade the peasants not to confiscate the land of the landlords. The Communist Party therefore persuades both sides, the landlords and the peasants; persuades the landlords to reduce rent and interest in order to benefit the peasants to guarantee payment of rent and interest so that the landlords can continue to have the wherewithal to live.

Day before yesterday at a meeting of the Government Committee, Hsiao Ching-kuang, member of the committee and vice commander of the joint garrison headquarters, made a report. Since July, 1943 when conditions around the Border region became tense, up to the present, there have been no large scale attacks by the Kuomintang troops but there have been continuous acts of disruption and disturbances on the part of the Kuomintang troops in charge of the blockade against the border region. From January, 1944 to April 1944 there were 73 such cases of an average of two every three days. So you can see there are quite a number of people outside the Border Region who are really advocating party strife and class struggle. The Communist Party has no intention whatsoever of overthrowing the rule of the Kuomintang. I have explained to the Chinese correspondents that we sincerely wish that the Kuomintang Party would make progress. Our wish is a true wish. Progress by the Kuomintang would be beneficial to the people and the nation as a whole, and also to the Communist Party of China. For instance I asked them to answer if the Kuomintang gives the people democracy or if it gives as much freedom of speech as is found in our own newspapers. I said that if freedom of speech were allowed the Hsin Hua Kih Pao could increase its present circulation tenfold, from 10,000 to 100,000. Which is more beneficial - for the Kuomintang to remain regressive or for it to go forward? The Chinese correspondents thought there was much truth in this statement of things that were beneficial.

If we wanted to overthrow the Kuomintang we would have to carry on a civil war.

-5-

We do not like this idea and allied friends would not like it either. We fought against each other for ten years, following which we have resisted the Japanese for seven years. It will take one or two more years to finish the Japanese war. If after all these years it would still be necessary to carry on a civil war, would it not be too tiring for all of us? A civil war would be harmful to China. If China advocates democracy and progresses far enough to solve our problems in a peaceful way, all to the good.

8. Question: What is the attitude of the Chinese Communist Party toward Christianity? Would foreign missionaries be free and welcome to work in the Border Region?

We take the same attitude toward all religions and take the same attitude toward people who have religious beliefs or have no religious beliefs. All have freedom under the general policy of fighting against Japan and for democracy. For example the Chinese Moslems within the last few years have established a mosque in Yenai. There is a Moslem on the Government Committee. The 8th Route Army has many a Moslem detachment, especially in Central Hebei. With regard to Protestants and Catholics, if they come they are all entirely welcome. In North China there are 1,500,000 Catholics. Part of them are in Japanese occupied territories and part are in our territory. We protect these religious people and the great majority of them are fighting with us against the Japanese aggressors. Only a small part of these religious people work with the Japanese. In Peiping, Tientsin and Tsinan our newspaper, manifestos, documents, and program of resistance contain nothing against religion or nothing against the religions of the democracies. Among our party members are certain comrades who don't know how to respect the customs of religious people. For example the Moslem's don't eat pork. Criticism of this has been rectified and our comrades know not to criticize this Moslem custom.

Question:

9. Does Chairman Mao envisage the large business and industrial interest in large cities such as Shanghai, Wuhan, Tientsin, etc., being willing to adopt the principles of economic and industrial development as at present they are practiced in the Border Region?

We have undertaken some work in such big cities as Peiping, Tientsin, Shanghai and Kankow. In these places merchants are supporting our anti-Japanese policy, except for a few pro-Japanese elements in the large cities. In the Border Region we have adopted a system whereby part of the industrial effort is run by the Government by the greater part is operated by private capital, especially in factories. Of the 32,000 pih of cloth a (pih is 105 feet, 2 feet, 4 inches wide) made in the Border Region, only 10,000 is manufactured by the Government, and the rest by the people. Our industry may be divided into three parts; one part is operated by the government; another part by private individuals; and a third part by peasants either in the form of domestic handicrafts or in cooperatives. Because of the rural conditions prevailing in the Border Region, big capitalists are very few, although there are many examples of small private industry or capital. In the big cities there will naturally be different conditions. In the first place, there will be government-owned enterprises; secondly, there will be the big private economists, and thirdly there will be peasant enterprises. In cities there can be found quite large private capital. We welcome the development and growth of private capital. Our demands to the Kuomintang include such a proposal--to welcome capitalistic investment. We have been hoping that the Kuomintang would relax its present government control so that private capital can flourish.

10. Question: Does the Communist Party plan to retain control of the Border region after the war is over? What is your opinion of the Draft Constitution of 1936?

We wish our army to become part of the whole national army under the command of

-6-

the Military Affairs Commission of the National Government. We wish the governments in the anti-Japanese bases to be recognized by the National Government as local governments under it. We wish that the government apparatus in the great rear will be elected by the people, from the bottom to the top. We need first of all to convene the National Congress. Some parts of the Draft Constitution of 1936 are good, but some are not good. It is not a question of words or passages. Great Britain has no written constitution. In China, when the Republic was first established we had the Yuch Fa but it was not carried out in practice.

10. Question: Are you in favor of multi-party rule in China?

The Communist Party believes in multi-party rule. It is willing and anxious to participate in the National Congress. At that Congress we should be able to change some of the articles in the Constitution. I cannot say that all the modes of expression in these articles are adequate. But I consider it necessary to point out the seriousness of the present situation.

11. Question: Are the reports in the Liberation Daily and the Hsua Hua News Agency criticizing the National army and conditions in Free China consistent with the Communist Party policy for the overthrowing of Japanese Imperialism and the building of an independent democratic China? Granted that such statements are accurate are they conducive to better Communist-Kuomintang cooperation and successful prosecution of the war? Is criticism of the Chinese Communist party frowned upon?

Since you have not been here long you are perhaps not used to our criticism of things. We constantly criticize ourselves. If we find existing phenomena of strain methods to change them. For example, last March and April we held a conference of the higher cadres in the Border Region. Tan Cheng reported on certain instances of isolation of Army officers from the soldiers and of the army from the people. His lengthy report was printed in pamphlet form. Here is a copy which you can have translated at leisure to give you an idea of the type of criticism we encourage. We don't criticize all day or all the time. When criticisms are made they must have a valid cause or reason. Before July of 1945 there was a long period during which we withheld our criticism. In that period there was no criticism of the character you have mentioned, because we sincerely hoped that relations between the two parties would be improved. Then came the July incident and we therefore had quite extensive criticism during July, August and September. During these three months there was quite extreme criticism of the Kuomintang. In September last year the Kuomintang 11th plenary session advocated that the question of differences with the Communist Party should be settled by political means. From that time until May of this year we refrained from criticizing the Kuomintang authority. The criticism we have been uttering recently is because of the following: First the offensive of the enemy and the fact that our army did not fight well. This is a very serious question. Though the Kuomintang did not say it, the people inside recognized the seriousness of the situation and knew that the Japanese war as a whole was endangered. Secondly the criticisms expressed in Washington and London were much sharper than our criticism. For example they pointed out that there was danger of China's stopping her resistance because of the Japanese offensive. They spoke of the danger of the collapse of the National Government. The loss of Hengyang will result in an undue prolongation of the anti-Japanese war both in China and the Pacific for two or three years more. Such protraction would mean the sacrifice of more lives on the part of the United States. We have not said these things as yet in our articles, yet they have been said in American newspapers and also in British. Also in newspapers in the great rear there have been strict and sharp criticisms and we have printed passages in editorials from such papers. The Yunnan Daily said "The armies on the main front are retreating every day, only the guerrilla armies in the rear are giving blows to the Japanese." The Chongtu Hua Hsi Jih Pao said "There is an unprecedented crisis in the political situation."

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ation that calls for an immediate need of reforming policy." The Ta Kung Pao of Hong-kong said, on May 22, on an editorial, "If present conditions are not to be changed, then we look into the future and we cannot but be afraid." The Kwongsi Daily on May 21 said "We did not properly consider the enemy, everything is loose, smuggling and illegal business are encouraged as well as passing the buck to each other. The enemy takes advantages of such shortcomings and marched forward." On May 1 the Ta Kung Pao said "The living conditions of the soldiers has worsened daily during the last seven years. Soldiers have yellow faces, thin muscles and are enemic. The families of soldiers suffer hunger and are living under extremely painful conditions. When we observe such living conditions we cannot help feeling pain and lamentation."

We recognize the seriousness of the situation. It can be seen that the Kuomintang has not ceased slanders and calumnies against the Communist Party, can it not? The Sian and Chungking newspapers spread daily rumors to the effect that the Communists are murderers and indulge in arson, as they indulge in anti-communist propaganda. Not long ago the Sze Tang Pao in Chungking charged the Communist Party with having made a secret agreement with the Japanese. They also said that the Soviet Union had done the same thing. Therefore, they said, the Japanese were able to dispatch troops to launch their offensive in Henan. In comparing the way they have been attacking us, I should say we've been very polite.

12. Question: Who do you consider the chief reactionaries in Chungking?  
I would rather not say who is blocking unity other than saying that there is a small group of people who are blocking the unity of China. It is better not to mention the name of this group. I believe foreigners in China know them.

13. Question: What do you think would bring about a better fighting spirit on the part of the National Government troops?

We should review the history of Kuomintang morale. In the political arena of China this has been a key question for the last 20 years. There are many foreign friends who do not yet understand that this is the key. The key problem is the relationship between the Communist and Kuomintang parties. For more than 20 years this relationship question--whether there is to be cooperation or separation of these two parties has been the key problem with regard to the whole Chinese situation. During the past 22 years China has gone through three stages. First came the Northern expedition, then came the civil war, and now the anti-Japanese war. During the first period there was cooperation between the Communist party and the Kuomintang resulting in the victory of the Northern expedition. At that time the Communist Party and the Kuomintang cooperating the morale of the soldiers. Good political work in the army achieved these aims. The army had very high fighting power and because of this we were victorious in the Northern expedition. Without Communist-Kuomintang had a "purge" driving out the Communist Party from the army, from the party government leadership and participation. On April 12, 1927 the dissolution of the trades unions began and the exclusion of the Communist Party from party, army and other affairs. After the purge the civil war began. A great majority of the forces of the National Army was sent on military expeditions against the Communists. Then came the abolition of the system of political work in the Kuomintang armies, accompanied by a lowering of morale in these armies. In 1927 came the restoration of Kuomintang-Communists cooperation. Its practical application was seen in the resistance war. During 1927-30 there were lively conditions throughout the whole nation. Political work was restored in the army. No communist work was permitted in the Kuomintang armies but there were a great number of youths who carried on political work in the Kuomintang armies. The patriotic work for the people and their movement, the morale of the Kuomintang was comparatively good. After the Wuhan cities fell on October 25, 1933 the Japanese changed their policy too. They shifted the attack of their main force to the Communist armies. They adapted the tactics of enticement to surrender as their chief appeal to the Kuomintang. The Kuomintang authorities



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alleged that the Communist Party intended to surrender to Japan but the Japanese never published anything about the Communists thinking this, knowing that the Communist Party would never do anything of the kind. But against the Kuomintang they made a constant attempt to carry on enticing propaganda about surrender. The Japanese openly declared that the Communist Party was their main enemy. Then in the Fifth Plenary Session of the Kuomintang in 1939 a resolution was passed to curb the Communist party. Since then there has arisen an anti-Communist atmosphere, eliminating the work of coordination in 1937-38. Not only the Communist Party but the people as well have faced oppression and suppression. In the army education in nationalism was reduced to a very small amount; education for Democracy was reduced to naught. Not only this but there has been a great amount of anti-Communist education in the army. As a result conditions have worsened; relations between officers and men and between the army and the people have deteriorated. Therefore in order to change the situation we must go to the root of the trouble. It is necessary for the Kuomintang to undertake changes in its general or fundamental policy. It is necessary to adopt a policy of unity in the fields of politics and economic s and with the people. If only this situation develops then the military situation will change. This is the only possible way. I sincerely hope you and all other friends desirous of helping the Chinese people will help the Kuomintang to realize the new situation as we have been hoping. This is the way in which I look on this problem. All I have said has been in order to help you understand the problem. Our hopes are on the basis of unity and democracy.

14. Question: Does the Communist Party consider Chian Kai-shek to be president of China?

Naturally the Generalissimo will be President of China. We have and will continue to stick to our promises. First, not to overthrow the Kuomintang, second, not to confiscate land, and third our government as democratically elected will be local governments under the National Government; fourth, our army as part of the National Army will be under the Military Affairs Commission. We would welcome an American mission to practice cooperation in the military field and to understand our political cooperation and cooperation in the economic field.

Form 1084D

DATE 9-23-44

TO: Genl. Donovan

You may be interested.

FROM: N. F. Allman

1047 Q EXT. 32816)

**OLD CHINA HANDS**

*No distribution  
H.A.  
x Altitude x U.S.  
x Old China Hands*

This Old China Hand question is a bogey that has been raised by a few misguided Americans, rather than by the Chinese themselves. This little group has appointed itself to save the Far East from the "Wicked American Exploiters!" There are a few American former residents in the Far East whom neither the Americans nor the Chinese would want back. These undesirables, however, are not very numerous and are actually better known to the Old China Hands than they are to the Starry eyed American planners and rescuers who have raised this bogey.

One official returned from China and naively stated that the Generalissimo had issued an order that Old China Hands were not to return to China. This rather underestimates the intelligence of the Generalissimo. He is too astute a politician to issue such an order even if he felt that way, which he does not. I have been assured by high ranking and reliable Chinese and American officials that no such order was ever issued, or even contemplated.

H.F.A.

*JWH*

September 13, 1944.

**SUBJECT: OLD CHINA HANDS RETURNING TO CHINA**

James Burke, who has just returned to New York after about two years of service in China for the OWI from which he has now resigned, says he was considerably impressed "early before his departure by the increasing number of so-called "Old China Hands" passing through China on their way to various forms of service in Free China. He says this constitutes a complete reversal of the trend prevailing when he first arrived there at the beginning of the war.

What has happened, as Burke analyzes it, is this: Chinese officials and administrative Americans in China alike were at first inclined to favor a policy of bringing out Americans who had never been in China before. The theory was that these men would be open-minded and not impressed by older "Imperialistic type of thought." It was presumed that as they lived in China they would be indoctrinated with a modern type of thinking suitable to the new times, with extra-territoriality gone.

Burke says that in many cases the results were surprising. He personally does not believe that the Old China Hand, as envisaged by the people who were against him, actually exist any more. Anyone who was able to get along in China since around 1937 has had to work with the Chinese amicably and give some kind of service which they valued. Residents of China dating back before that period had to be of a liberal type whose continued stay in the country was made possible by their essentially friendly spirit towards the Chinese. Those who have been able to stay on in China during the war period were of a type which has proved its value recently and is now regarded as the kind of American most wanted. On the other hand, the newcomers from whom so much was expected, turned out in many cases to be great disappointments. They arrived without any seasoning and experience and with idealistic notions concerning the Chinese. When they discovered that the Chinese were very human, their tendency was to grow bitter and disillusioned. They had no background of experience to cushion the blow of discovery that the Chinese were capable of courage and sacrifice, as well as of heroic resistance to the enemy. When they reached their second or disillusioned phase, they usually became very homesick and sought to return to the United States as soon as possible. Some of their number who stayed and looked on things with a more long range view and concerned themselves to China directly, simply became like the few Old China Hands who had stayed on in Free China. The result has been that practically all organizations, whether Chinese or foreign, which need to import Americans, have been going around with more or less rapidly to the view that well-selected Old China Hands are much better to send into China today than the general run of complete newcomers. The Chinese themselves have found they could deal better with people who have known them for a long time even though such people are not easy to fool. They are up to the task by understanding Chinese traditions and psychology and knowing to be stamped into Chinese and Chinese feeling, born of disillusion.

SE 1178

- 2 -

Mr. Dulles was candid in saying that even in his own case, he had been rather against certain old China hands who had stayed on and later justified themselves by events. A case in point is Ambassador Gurnea who was regarded formerly by a good many people as being an example of the old Treaty Port order which did not fit in with the new regime. Both the Chinese and the Americans now in China appear to have swung around to the feeling that Mr. Gurnea has done a good job under trying circumstances. Chinese formerly opposed to Mr. Gurnea now express themselves as approving his frank and sometimes blunt attitude and they have become convinced that he genuinely desires the good of China as well as of his own country.

SS 1176

September 13, 1944

Subject: W. N. Press

Reference: Report No. SS 1160

Chungking has notified G. L. Hsia, Director of the Chinese News Service in New York, to discontinue sending the weekly summary of Chinese news appearing in the American press. No reason for the action is known. It may have been merely the elimination of the expense, or perhaps the Chinese are less worried at the moment about the "bad press" they have been getting in America.

**SECRET**

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*Restricted*  
*No distribution*

September 14, 1944

**Subject: Double Tenth Program**

Chinese are attempting to get President Roosevelt on a two-way broadcast with Chiang Kai-shek for a celebration of the Chinese "Double Tenth" on October 10, 1944.

Dr. Kala, of Chinese News Service, has been asked if the President will be available on that date and he will approach the Generalissimo when assured of a co-speaker of equal standing and a network release.

*Restricted*

September 14, 1944

**Subject: New Chinese Scholarships**

Dean Ackerman of the Columbia School of Journalism has asked Dr. Wellington Tong, Vice Minister of Information, whether he would accept the awarding of two scholarships of \$1500 each to two graduates of the Chungking School of Journalism to study in this country for one year, beginning September 28, 1944. The students would be appointed by Tong.



SE 1377

10/5/51

September 1944

**Subject: Chinese-American Institute of Cultural Relations**

The story told by a young Chinese official, now in Washington, is this:

K. H. Kung is using the above-named organization to enhance his own personal power in the Chungking Government. In the beginning the Institute had idealistic motives and no doubt most or many of the members still entertain these ideals but Kung has subverted the original motive. Today the Institute is just another Kung show aggrandizing his own position.

Chinese who feel that Kung-keung control of China is already too far-reaching and powerful believe that the State Department is playing into the hands of this clique by its support of the Chinese-American Institute of Cultural Relations. It was recalled that the State Department contributed the sum of US\$25,000 for the support of the Institute during 1943 and may have repeated the contribution in 1944.

Presumably half the membership of the Institute is American and the official roster includes many high U.S. officials, including the Secretary of War who is one of the honorary presidents.

More than 200 prominent Chinese and Americans attended the last meeting of the Institute in Chungking on October 31, 1944. The meeting was held in the presence of the President of the Institute, Kung-keung, and a large number of staff to Kung-keung's residence.

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American magazines for publication in Chinese newspapers, supporting the international movement for promoting the cause of the United Nations, engaging in research projects on subjects bearing on Sino-American cultural relations, extending courtesies and facilities to the U.S. Military Mission and the U.S.A.A.P. in Chungking, and exchanging motion pictures between China and America to show the war efforts of the two countries.

"In November, 1942, the U.S. State Department donated to the Institute a sum of US\$17,000 (equivalent to \$600,000) in support of its activities during the fiscal year ending June 30, 1943.

"Present membership: 531. A branch institute has been organized in Chengtu.

"Officers: - Honorary Presidents, Madame Chiang Kai-shek, Colonel Henry L. Stimson; President, H. H. Kung; Vice Presidents, Chen Li-fu, Ma Shih, Arthur H. Young, Dwight Edwards; Secretary General, F. T. Chen; Deputy Secretary-General, Maurice H. Votaw, Ma Wen-tien, Treasurer, C. B. Happe (Rev.), Business Manager, Chu Jiang; Chinese Secretary, P. Y. Yin; English Secretary, Francis K. Pan; Liaison Secretaries, Edward Y. K. Kwong (China), Paul C. Heng (U.S.A.) Address:- Chung San Road, Chungking.

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*Not to be taken  
Too seriously  
U.S.A.*

*No distribution  
NO*

September 14, 1944

Subject: John Davies

A Chinese in Washington who is very pro-American and quite frank in discussing the faults of the Chungking Government said last week that he is "fed up" with John Davies who, as this Chinese felt, has become "too anti-Chinese." Davies was detached from the State Department to work with General Stilwell.

The Chinese in question gave the impression that he has had several heart to heart talks with Davies and said that he "didn't want to see him again and listen to his anti-Chinese talk. Sure, the political situation in Chungking is pretty bad I think Davies has lost his perspective."

SECRET

PHONE DUPORE 1538

**CHINESE SUPPLY COMMISSION**  
2311 MASSACHUSETTS AVENUE, N. W.  
WASHINGTON 8, D. C.

15, 43  
*Chinese Supply Commission*  
*Pro-Ten Return*  
*x Japan*

September 11, 1944

Mr. Charles S. Chaston  
Office of Strategic Services  
Washington, D. C.

Dear Mr. Chaston:

This will acknowledge receipt of your letter of September 14th in which you state that your office is desirous of obtaining some Japanese motion pictures.

I have the pleasure of informing you that we have already communicated the contents of your letter to the proper authorities of the Chinese Government. Upon receipt of a reply from them we shall gladly get in touch with you.

Very truly yours,

*S. H. Tan*

S. H. Tan  
Chinese Supply Commission

T:J

OSS FORM 4001a

Date 14 Sept. 1944

To: Mr. Stetson

Attached is a revision of the letter to the Chinese Supply Commission originally prepared by Hugh Barton.

This letter has been shown to Col. Deering and certain deletions which he suggested have been made.

I have also discussed it with Col. Hoffman who has no comments.

*A. V. S.*  
A. V. S.

Office of the Secretariat

(9139)

15,243

Chinese Supply Commission

~~X Motion Pictures~~

X 9/10

14 September 1944

Chinese Supply Commission  
2311 Massachusetts Avenue, N.W.  
Washington, D. C.

Attention: Motion Picture Committee

Gentlemen:

The Office of Strategic Services would like to obtain such recent Japanese Motion picture material as may be available. Information contained in this material is of great value to us and to other agencies of the American Government.

Any assistance that the Chinese Supply Commission can furnish in connection with the procurement of Japanese films will be highly appreciated. We will, of course, pay expenses involved in purchase or transportation of the film and in the event that your representatives wish to discuss further details, they may contact Mr. Robert B. Konikow, Chief, Procurement Section, Presentation Branch, who will be in charge of the project for us.

Sincerely,

Charles S. Cheston  
Acting Director

cc H Burton 9/18

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE SECRETARY OF STATE  
WASHINGTON, D. C. 205



In reply refer to  
FE

DEPARTMENT OF STATE  
WASHINGTON

October 10, 1944

My dear General Donovan:

The receipt is acknowledged with thanks of your letter of September 26, 1944 with which you enclosed a copy of a summary of a report entitled "Recent Events and Trends in China".

The report has been read with interest by various officers of the Department who are concerned with the matters discussed in the report and we appreciate very much your courtesy in making a copy of the report available to us.

Sincerely yours,

For the Secretary of State:

Joseph C. Grew  
Director  
Office of Far Eastern Affairs

Brigadier General William J. Donovan,  
Director, Office of Strategic Services,  
Twenty-fifth and E. Streets, N.W.,  
Washington, D. C.



File

and  
JWA

China 15,210  
x Situation Report  
x Hall, Robert

26 September 1944

SECRET

The Honorable  
Cordell Hull  
Secretary of State  
Washington, D. C.

Dear Mr. Secretary:

I enclose a copy of a summary of a report entitled  
"Recent Events and Trends in China".

The report is dated 17 August 1944, and it was  
forwarded by our representative in China, who has described  
the author as "an unusually well informed and generally  
reliable observer". I hope that it will be of interest  
to you.

Sincerely yours,

William J. Donovan  
Director

Enclosure

JWA/rh

SECRET



15210  
**SECRET**

SUMMARY OF REPORT OF 17 AUGUST 1944  
ENTITLED "RECENT EVENTS AND TRENDS IN CHINA"

At present there is in China intense and serious criticism of the government. The administration has been much shaken by recent events, particularly the Honan and Hunan campaigns. The former was marked by military disasters, but its important political implication was the revelation that extortionate taxation and unjust military conscription had so alienated the Chinese peasants that they rose against their own army and fought with the Japanese. The Hunan campaign, which followed shortly afterwards, had the important political consequence of stimulating a southeastern separatist movement which until then had been in an undeveloped stage.

The criticism comes not only from liberal intellectuals and university professors, but from business men who find that they cannot operate under the present administrative machinery. Both elements agree that there must be a decent central administration, with the elimination of inefficiency, corruption, and extortion in the collection of taxes and in the methods of conscription for the army. The need for reform is intensified by the progress of the war in Europe, because the government feels that Russia, if she should enter the war against Japan,

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would come to an understanding with the Communists in Northern China. Russian support of the Communists would strengthen them and provoke the danger of civil war.

It is accordingly essential for the government to come to terms with Russia and with the Chinese Communists. The latter are now asking terms for such a settlement far in excess of what they have demanded in the past. Their military demands include supplies for sixteen divisions, recognition of other additional troops, lifting of the blockades, and a share in all arms furnished to the central government by allied countries. Their political demands include freedom of speech, of the press, and of the individual; legalization of all political parties; early institution of democracy; and the recognition of local self-governments behind the lines. The last demand is so sweeping that the government could hardly grant it and survive, and the author of the report does not believe there is any element in the present regime which would concede this point. His opinion is that the Communists would not insist on the recognition of local self-government if the present administration were reformed, and that the central government can reach an agreement with the Communists if, but only if, it undergoes a thorough reorganization first. He

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believes that such a purge is unlikely, but that if it should take place, there would be a rebirth of the Chinese war effort and of the Chinese people.

The author states in conclusion that he believes the Department of State is fully aware of the situation, and that he approves of Mr. Gauss and his course of action.

**SECRET**

## Recent Events and Trends in China

### Distribution List - 14 Sep 44

**SECRET**

- 1 SI: Mr. O'Gara
- 2 SSO: Col. Bigelow  
SO: Lt. Col. Hoffmann
- 3 R&A: Dr. Langer
- 4 FETO: Lt. Demas
- 5 IS; Col. Sands
- 6 Secretariat

*W*

~~Handwritten signature/initials~~

*Review for  
Rosenberg*

*China* 15,210  
*x Situation Report*  
**SECRET**  
*x Laid, Ethen!*

HEADQUARTERS  
 OSS CBI THEATER  
 APO 627

4 Sept. 1944

Subject: Recent Events and Trends in China

To : Brigadier-General William Donovan,  
 Director, Officer of Strategic Services, Washing-  
 ton, D.C.

For your information, please find herewith a copy of "Recent Events and Trends in China." This report was compiled by an unusually well informed and generally reliable observer. On the whole, the facts are correct but the evaluation of these facts, in several places, portray a bitterness which leads to prejudice and even erroneous conclusions. It should be rated A-3.

*Completely  
 suitable.*  
*Probably same.*  
*for*

*Robert B. Hall*  
 ROBERT B. HALL,  
 Colonel, AUS.,  
 DDIS, OSS, CBI.

**SECRET**

*PAUS  
 JWA*

137,210  
**SECRET**

17 August 1944

There have taken place in China during the past few months a series of events that have shaken the regime to its foundations.

The first of these chronologically was the Honan campaign. This was the merriest, the bloodiest, the most disgraceful episode in all China's history of war. Its reverberations in Chungking are the starting point of the present political ferment.

In essence what happened was this: a Japanese striking force which at no time numbered more than 100,000 destroyed utterly 700,000 Chinese troops quartered in northern Honan. The campaign was not only a series of military disasters -- great masses left undefended, the commander-in-chief absent from his command at the moment of greatest urgency, the troops underfed and undernourished, the officers panic-stricken and incompetent and out-thought at every turn; it was not this alone that made the campaign so terrible. The great political fact of the campaign was that the Chinese peasantry turned on their own army and fought against it on the side of the invaders. You will remember that in my story of the famine in Honan I told you of the rapacity with which the army extorted the grain tax from the peasants and with what cruelty they exacted service and labor service from them. This barbarous treatment of the farming population among whom they were quartered had continued for two years when the Japanese struck. The people had a great contempt for the army at assessment. In Honan no decent man who could buy his way out would join -- the usual price of draft exemption in Honan was 13,000 Chinese dollars, and anyone who could afford it would buy a substitute or pay the draft officials. Thus the army filled up with town ruffians, bounty-jumpers, or boys from the most depressed level of the countryside. It lacked the natural leaven which is given any army recruited from all elements of the social compound. There was this contempt to begin with, and the terrible hatred of peasants who had seen their families die in the past two years when the army had seized their grain. To cap it all, with a political insensitivity that appals me, when the campaign began the entire war area was put on an ex-cart basis. There were 700 trucks at the disposal of the 1st War Zone Command (Honan) when the campaign began; but of these 500 were immediately used by the officers of the army and the civilian officials for the evacuation of their commercial belongings, their household goods, chattels, furniture, wives, and children to Sian. These figures come to me by

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**SECRET**

several devolutions from the chief of transport of the 1st War Zone. In order to supply the army which so lacked transport, the local government proceeded to lift from the peasantry their oxen and ox-carts. This was catastrophic as the Honan peasant lives by his ox. This infuriated the peasant even more. As the Japanese prongs dug into the countryside and Tang En-Po's army disintegrated the peasants began to disarm individual soldiers one by one, then finally began to gang up in roving bands looking for smaller bands of soldiers. They finally reached a point where they were disarming units of soldiery 500 at a time. It is estimated that 50,000 rifles were seized from the Chinese soldiery by the peasants. Although the peasants raised two slogans -- "Better the soldiers of Japan than the soldiers of Tang En-Po" and "Honan has two sorrows, -- the Yellow River and Tang En-Po" -- it is impossible to say that they were pro-Japanese or that they were organized in revolt. The Catholic missionaries, so powerful in Honan, report that what organization there was came from the secret village society, The Red Spears. I believe that this popular fixation upon Tang En-Po as scapegoat is perhaps overdone, for when I met him last year he struck me as one of the better generals in the area, and sincerely worried about the famine. But since he was number one, he gets the blame. The most macabre touch of all was that after two years of devastating famine, the Japanese entered Honan just as the wheat was ripening into a crop which was the finest in the memory of living inhabitants. A fantastically bountiful yield.

So much for the Honan campaign. It was not important in a territorial sense although Honan is one of the greatest provinces of the Nation. It was important more than anything in a political way as demonstrating that the type of administrative inefficiency to which the people here are being subjected might result in basic disaster to the regime.

There followed soon the Hunan campaign. Chungking perhaps could never have been held in the face of the power the Japs massed against it. But the defense of the city itself was fore-doomed to failure by the quarrel between the general commanding the artillery (all 67 pieces of it -- the bulk of the guns of Hsueh Yueh) and the general commanding the infantry, a quarrel which could not be settled since the campaign had so shaken communications that Hsueh Yueh himself could not be reached by phone or telegram to adjudicate. There then followed a series of disagreements between Hsueh Yueh and the Chungking Military Council as to the strategy of the campaign. Decisions all

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the way down from Changsha to Hangyang were made and countermanded till Kweilin at the beginning of July seemed to be open and naked to the enemy. This situation was saved by the magnificent resistance of the Chinese Tenth Army at Hangyang and the superlative air support of the Fourteenth Air Force. There is also a theory here that the American landing at Saipan and the fall of the Tojo cabinet caused a re-orientation of Japanese strategy, and a temporary halt in their plan to link the railroad.

Politically, this campaign brought in its train two major phenomena: First was the intensive use by the Japanese of bands of roving Chinese fifth columnists bought and paid for at the rate of 3500 CN per day, -- men armed with grenades and Tommy guns, who knew the terrain perfectly, who were as liquid as mercury. And secondly and far more important -- it stimulated a southwest separatist movement which until that time had been in nascent stage only. Most of the Cantonese and Kwangsi generals have been very cool to the central government for a long while. With Kweilin's fall almost imminent, they began to lay plans for their complete separation from the central government and the establishment of an independent political military council in the southeast. This scheme, I have heard, was to include Hsueh Yuch, Yu Han-Mou, Li Ch'ai-sun, Chang Fa-Kwei, and even the Fukienese governor.

All these events have been transpiring against the ordinary background of Chinese life -- against inflation which is continuing to eat away at civic decency, against the conscription system which the peasants hate for its gross corruption and its terrible cruelty (it is estimated that only 5% of the conscripts ever reach the front line, in some local districts the officials hold up individuals for as much as 30,000 CN for exemption) and against the background of the tax in kind -- another horrible administrative miasma stable. Extortion and corruption here are perhaps the worst in any branch of Chinese life.

All these developments have given rise to such a wave of internal criticism as I have never seen. Not only are the intellectuals and the university professors completely soured on the regime, but even within the Kuomintang there is a bitterness that is completely new. The professors and intellectuals are perhaps the most tragic figures in China; many of them are deeply anti-communist; they are if anything American liberals; but within their own government there is no place for them, no banners of hope or glory. The businessmen too find they cannot operate under the present administrative machinery and there is harsh criticism

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among them. Within the Kuomintang now there is a first-class struggle going on for power; there is a coalition that ranges all the way from the extreme left-wing liberals to the mouthpieces of the Shanghai businessmen and bankers for a complete and thorough overhaul of government. They have only this basis of agreement among them; there must be decency and honesty in administration-- but that is a ringing sound platform. All of the top men around Chungking say that a change must come soon or this regime is doomed -- the opposition includes such figures as Sun Fo, T. V. Soong (who is almost completely divorced from politics so great is his bitterness), Chang Chun, Wong Wen-hao, Wang Shih-shieh, even such old Kuomintang party functionaries as Tai Chi-tao and Chu Chia-hua.

Following are two authentic stories about the Gmo: One, his speech about being loyal to his wife. Secondly, the Gmo recently walking in the hills near his summer home, his guards following, noticed a civilian toting a gun, leading three roped men behind him. He stopped and asked what was going on. The civilian said he was an official of the local government and these were recruits being brought to the army. The Gmo turned and asked one of the recruits what was happening. The man said he was a peddler just walking the road on his business when he was seized and carried off to the Army. The Gmo became furious, started to belabor the official with his cane saying, "Is this the way you treat my people". The guards persuaded the Gmo to stop. This week there appeared a small newspaper announcement saying that owing to defects and faults in the conscription system all recruiting in Chungking itself was stopped for the time being. I know this story sounds biblical, but it's true.

The most alarming recent international development in Chinese eyes has been the tremendous progress of the Russians in Europe. It may be that the war in Europe will be over this year. It may even be that Russia moves across the border of Manchuria and north China to strike the enemy. This in turn means that the Russians must make local agreements with the Chinese in power there, and must get cooperation from local troops. In short, it means that if Russia fights Japan, she will do so in complete liaison with the Chinese communists who occupy those areas of north China where fighting will go on. A direct understanding between Russia and the Chinese communists which will result in direct Russian support to the communists has implications so clear that no expert need explain them. It means that when China is liberated, north China and Manchuria, the most important provinces and most industrialized bases of the land are controlled by a powerful, well-equipped communist army, and the civil war is on.

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The Kuomintang gamble up to now has been a straight-a-way simple thing: just to hang on till America cracks the blockade. Then as American supplies pour in from the south and the scroll of Japanese conquests is rolled back in China, the Communist guerrillas will be peeled out of their lairs along with the Japanese.

Up to now, that has been a very good gamble and one that still has a fine chance of success -- but now. If Russia comes in to support the communists before the U.S. gets here. If the separatist movements split off from this government and the U.S. has to make local agreements with warlords along the seaboard.

It has therefore become essential to solve all these problems at this moment -- within the next two or three months there must be some agreement arrived at with the Soviet Union so that any collaboration in the Orient is a collaboration with this government and not a collaboration with the communist party. During the past two weeks the rigidly controlled press has danced the government tune with many audacious articles about the Soviets and much news of their successes -- which journalistically, these two weeks, is a very easy thing to write about. And there is talk of sending a good-will mission to Moscow, perhaps even headed by T. V. (Stalin will like that good-will mission, won't he). And there is definite scheming to remove Sheng Shih-tsai, governor of Sinkiang whom the Russians hate.

But all these moves are only overtures -- the only real way relations with the Soviet Union can be settled is by solution of the communist problem. I don't know all that Mr. Wallace talked about here -- but two things I know he did talk about were America's great interest in Sino-Soviet friendship, and internal peace and quiet within China.

Which brings this government squarely up against the solution of the communist problem as it has never had to face it before. The government realizes at last that it has got to settle the question once and for all, -- but the communists, those astute, masters of real politics, can read the portents and omens as well as anyone else. They know that the central government now has every urgent reason to get a quick settlement with them; and their asking price is far higher than before.

There has been a tremendous change in the see-saw balance of power within China. In the past six months the power of the communists -- as a military-political force -- has changed with relations to the power of the Kuomintang till it now, if not yet quite one to one, is within striking

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distance of that status. Consider the communists: they now occupy almost half of Shensi, almost all of Shensi, all of Hopei, all of Shantung, part of Kiangsu, parts of Anhwei, Honan, Hunan, and almost all of Hupeh. Their power in this war has exploded rather than expanded. Their guerrillas range ever further than these areas, and their regulars may number as many as four hundred thousand troops. This is power. Much of this growth has come within the past six months, particularly in central China; and in Honan and Hunan, the new areas of Jap conquest, the Communists will soon be building new guerrilla bases. On the other hand, the Kuomintang has not only lost territory, it has lost political prestige by the exposure of its administrative inefficiency. It is a situation not so far removed from the Tito-Mikhailovich situation, except that this government has never played ball with the enemy.

The communists realize their own growing strength, the possibility of Russian support, and the weakening of the Kuomintang -- and today they are in Chungking negotiating not as supplicants at the seats of the mighty but as mailed emissaries of an alien host.

The government is now offering the communists arms and supplies for ten divisions, lifting of the blockade, and recognition of their border government about Yenan. But these demands were demands that might have served back in 1941 -- they will not do for the far more vigorous communist party of 1944.

The communist counter claims are dividable into three rough groups. First are strictly military demands -- supplies for 16 divisions, other troops in excess of this to be recognized anyway; lifting of the blockade; munitions and medicines; a share in all arms given to the central government by other allies (meaning the U.S.) Then follow the political demands: freedom of speech, press, and individual; freedom from unwarranted arrest; release of political prisoners; legalization of all political parties; early institution of democracy. Lastly there follows a demand so huge and appalling it makes one gasp -- on paper it reads thus: recognition of local self-governments behind the lines. Actually, such self-governments as the communists have erected stretch from Shensi and Shansi all the way through Honan, Shantung, Hopei, north Kiangsu to Hupeh. They include such cities as Tientsin, Peking, Taiyuan and Hankow. In short recognition of such local self government means that Chiang Kai-shek is to charter the communist party to rule not only the Yellow River Valley (and perhaps Manchuria too) but also the Central Yangtze Valley. It means that the

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Kuomintang in the post-war world commits suicide. Maybe this demand is advanced for bargaining purposes; probably is.

Here we have a situation that precipitates a crisis within the Kuomintang. The two wings of the Kuomintang cannot see eye to eye on the communists. All would agree to giving the communists part if not all of their military demands for the sake of settling the Russian problem. But on the political demands (civil liberties, etc.) they split. The Kuomintang liberals want civil liberties as much as the communists do, they want liberalization and honesty and efficiency in the government. They know that if they accede to a free press and free communist propaganda the only way they can control this land is by offering the people basic governmental decency -- otherwise they have no way of meeting communist competition. On the other hand the fascist group in control now, wants nothing that will shake its grip on the machine. The liberals argue that decency (cleaning up grain tax, cleaning up conscription, feeding the army) is necessary for its own sake, and necessary for meeting the world's standards. The fascists are silent. The Kuomintang has certain great assets right now; it has the asset of American support, it has the asset of opposition to Japanese invasion; it has the symbolic personality of Chiang Kai-shek; it has a monopoly on the technical engineering industrial personnel of the country. These are enough to bolster it up in open competition with the communists -- provided, however, that they are based on decent clean administration. In effect, there are now two Kuomintangs -- one a coalition bannered by Sun Fo which includes everything from left-wingers to Shanghai businessmen, and the other is the CC's Kuomintang.

Today this struggle within the party focuses on the Gao. The Gao must either clean out his party and government or go down with it. It is not enough to say that he is too busy, or that he is the captive of his machine. He must either change or bear its responsibility. For weeks now suggestions have been pouring in on him for a change. It is expected that within the next four weeks he will come to his decision.

This is a matter that involves America most intimately. We are supporting the Kuomintang in this war, and we cannot avoid asking ourselves whether this is to be a democratic Kuomintang or a fascist Kuomintang. I believe that at present our State Department is fully aware of the situation within Chungking. And for once I find myself in full agreement with its course of action. Gao, whom we have criticized so bitterly in the past, is playing an excellent and very skillful role in this struggle -- never pressing himself upon

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the Chinese government, but letting our views be known. I have found that the Chinese view of Gauss has risen very much in the past twelve months; Sun Fo praises him lavishly.

It is still too early to ask what will happen if a reorganization of the Kuomintang and the government can be effected. Such a reorganized Kuomintang can come to agreement with the communists on both political and military issues. Such an agreement is for the greatest good of China, America, and the entire world. No Kuomintang can come to agreement with the communist party on the basis of recognition of their regional self-governments all through China without cutting their own throat, and no Kuomintang member of the opposition, not even Sun Fo, would go that far. But I think with a purged Kuomintang the Communists will forego that demand, will make a conclusive agreement, and we will see both a rebirth of the Chinese war effort and people.

I don't want to finish on an optimistic note -- every one here warns me that a complete reorganization such as we would like to see is a slim chance -- perhaps one in three. If it does not come, then millions of Chinese have fought and died for democracy in vain.

The communist negotiations have deteriorated. The communist delegate Lin Tzu-han, has requested permission to return to Yenan, signifying that no further good can come from discussion. But the Generalissimo has refused his permission to go back and so he is forced to stay for an indefinite period.

Meanwhile, from the reports of various people who have come back from the communist area we can piece together for the first time a rather interesting sequence of events. When the Kuomintang blockaded the communists in 1939 they believed that they could be crushed economically. During 1940 and 1941 the communists were in great difficulties; but they completely reorganized the life of the areas they controlled stressing complete self-sufficiency. They found that they could so raise agricultural and industrial production as almost to dispense with central government supplies. Such things as medicines and munitions could not be home-made up there but all other things could. Thus, at present, the journalists returning from Yenan report that the standard of living -- food, clothing, etc -- is actually higher in the communist areas than in the government areas adjacent. And it is this self-sufficiency which is stiffening. I believe, the Communist attitude in the entire negotiations.

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How great a hand the Russians had in this development I don't know. But I believe now that the Russians had far more intimate links with the Chinese communist party than I had previously believed. Two planes a year came to Yenan from the Soviet Union. There were two Tass correspondents permanently stationed there; also a Russian doctor.

The communist party now is attempting to prove to all Americans here that they, rather than the Kuomintang, represent the future of China; that they are democratic; and that they look to America as much as to Russia for future friendship and guidance.

An even more important development has taken place within the Kuomintang. Hengyang's fall was discounted as early as the end of July. And there began then a series of important military conferences at the Gmo's summer residences which I consider the most optimistic development in Chinese politics in over a year. The Generalissimo has become convinced that he has been misinformed and all but betrayed by the present staff -- and that the Army must be overhauled and reorganized from top to bottom. Chief spokesman of the group demanding reorganization is General Chen Cheng, chief friend of the U.S. Army in Chinese military circles.

Chen Cheng has demanded that the Army be reduced from its present almost 350 divisions to something like 250 divisions; that these divisions be brought to strength; that the feeding and medical care of the soldiers be totally reorganized; that they be re-trained totally and re-galvanized spiritually; that all military commanders be stripped of concurrent political posts such as the civilian governorships of the provinces they occupy. He demands also that units which exist in name only be totally disbanded. Other reformists wish to create student brigades, cancelling the exemption from conscription that Chinese students have hitherto enjoyed.

These reforms are in full heat of discussion right now, and Ho Ying-chin is said to be the leading opponent to them. The Gmo for once however has turned on Ho and is standing with the reformists.

The harvest. This is a bumper year, etc. etc.

1944 FEB 52 PM 5 00

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OFFICE OF STRATEGIC SERVICES

**Office Memorandum • UNITED STATES GOVERNMENT***China 14,442*

DATE: May 9, 1944

TO : Director, OSS

FROM : Major Ilia A. Telstoy *AT*

SUBJECT:

Upon your request I submit herewith a supplement to our conversation of this afternoon on the subject of probable and possible developments in China. These conjectures are based on the following assumptions:

1. That Russia does not fight Japan in the near future.
2. That the major part of the Japanese fleet is not defeated by a surprise move on the part of our navy.
3. That at least part of China remains loyal to the Allied cause.

Even if the Japanese have to withdraw from the islands of Japan there is every possibility that they will take a stand on the mainland in Manchuria where they are building up reserves of troops and supplies. Regardless of whether or not the islands are taken, the present Japanese attempt to capture and control the roadbed that links the severed Peking Hankow railroad indicates their intent to prepare themselves for overland transportation either supplementary to or in place of their present coastal sea lanes. With North-South overland arteries on the mainland under complete control, Japan would be able under all circumstances to continue to support any land activities in Central and South China and Burma.

If we attempt an invasion on the Chinese mainland this invasion would, in all probability, take place in the southern part of China. Such an operation would require heavy artillery and mechanized units, operated by our own troops, in order to push the Japanese northward overland.

The speedy success of such a northward move by our troops would largely depend on our ability to cut the Japanese overland transportation from Manchuria.

The most logical place for cutting the main arteries from Manchuria to the South is in territory where Chinese

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OFFICE OF STRATEGIC SERVICES

**SECRET**

**OFFICE OF STRATEGIC SERVICES**

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guerillas loyal to our cause still show resistance.

This is why it is important to know the essential possibilities of this territory and why I feel an attempt should be made to engage the help of forces situated in this area with a view toward disrupting enemy supply lines at the proper time. Attempts must be made to equip these forces even if demolition supplies have to be flown in to them.

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**OFFICE OF STRATEGIC SERVICE**



**SECRET**

China 14,393  
XJIN KID  
Chiang Kai Shek  
4 May 1944

4 May 1944

MEMORANDUM FOR THE PRESIDENT

Miss Grace Tully,  
The White House,  
Washington, D. C.

material I have consolidated  
on certain items in China which, I think, may

be of interest to you.

Would you please see that the attached  
memorandum is placed before the President?

Thank you.

William J. Donovan  
Director

Sincerely,

William J. Donovan,  
Director.

**SECRET**

**SECRET**

4 May 1944

**MEMORANDUM FOR THE PRESIDENT**

Here is material I have consolidated  
on certain items in China which, I think, may  
be of interest to you.

William J. Donovan  
Director

**SECRET**

**SECRET**

April 4, 1944

**MEMORANDUM ON CURRENT NEWS ITEMS IN CHINA**

1. The Generalissimo is apparently still out of town - the reason for the long delay in the release of the Chinese statement regarding Sinkiang was it had to be telegraphed to the Generalissimo for approval. The common rumor is that he is in Sian, although some say Lanchow.

2. From many sources come reports that the Generalissimo has been under great strain during the past few weeks, some even saying that he has been "half crazy". There is general agreement that the problems worrying the Generalissimo are; increasing foreign criticism (Chinese are desperately curious to learn the contents of recent articles in the foreign press which are known to have been published but which of course are not released in China); relations with the American Army, including Army expenditures, negotiations over exchange rate, and problems brought up by General Stilwell (the story is around that the Generalissimo hit the roof after his talk with the General); and the Sinkiang situation (the Generalissimo is credited with daily tantrums at the slow progress of the Central Government military reinforcements moving toward Sinkiang by truck and the jittery attitude of Chinese officials regarding publicity is explained by the Generalissimo's order that nothing is to be released except after his approval).

3. The Chinese statement regarding the Sinkiang bombing incident (which appeared this morning) is an extremely weak reply to the TASS story. It now appears, despite early Chinese denials, that the border between Sinkiang and Outer Mongolia is in dispute, and that the original bombing occurred very close to the line claimed by Outer Mongolia. Official Chinese circles are very jittery. After first trying to play the incident up, they are now trying to tone it down. Rumors prevented publication of the TASS story. Rumors persist that Ma Chung-ying is loose somewhere in Sinkiang. If this is true, it may mean trouble. The Central Government is sending the 4th Army to the province.

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the preliminary Communist delegate for the planned discussions, has not yet left Yen-an. There are reports of fighting between Central Government and Communist troops in Northwest Honan. Communists are accused of massing troops in North Shensi in preparation for the opening of a corridor to Outer Mongolia. Further reports allege that this has been agreed to by the Japanese in return for a Communist agreement to relinquish Central Hopeh. There is a flood of rumors of Russian plans transporting "large quantities of munitions" to Yen-an.

5. The press correspondents' trip to Yen-an is being delayed - allegedly because of the impossibility of awaiting Lin's arrival in order to complete arrangements. The excuse is obviously flimsy and the whole question was the subject of a very stormy press conference last Thursday. Meanwhile the Ministry of Information is making efforts to have "safe" personnel included and it appears that censorship arrangements will be unsatisfactory.

6. It is reported that a "National Administrative Conference" will be held at Chungking about May 5. All provincial chairmen and commissioners will be required to attend. Following this conference, about May 12, there will be a plenary session (the 12th) of the Kuomintang Central Executive Committee. Main points of the agenda are: price control; the budget (the planned) budget for the current year will be exhausted about July at the present rate of expenditure; the Communist problem; and preparation for Constitutional Government. Following the CEC meeting the Peoples Political Council will be convened.

7. Chinese are getting frightened regarding a Japanese drive in Honan. Government offices are reported to have evacuated Loyang and today a banking acquaintance asked whether it was true that Loyang had already been captured by the Japanese. There are also reports that Fowyang, Anhwei, has been taken by the Japanese. This is the city to which General TANG En-pe was recently ordered to move his headquarters.

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April 7, 1944

**MEMORANDUM ON CURRENT NEWS ITEMS IN CHINA**

There is attached a report of the Chinese Government press conference on April 5, most of which was taken up with fruitless efforts of the press correspondents to learn something regarding the situation in Sinkiang. It is obvious that the Chinese though greatly concerned over the bombing incident and the situation in Sinkiang, are still confused and undecided as to the policy which they should adopt.

An official of the International Publicity Board in a private talk with a well-known foreign correspondent on the evening of April 5 admitted the general veracity of the TASS story and other reports tending to show Chinese provocation. He made the definite statement that Chinese troops had actually crossed the border into Outer Mongolia. We explained these actions on the basis of Chinese conviction that relations between Russia and Great Britain and the United States were strained and that it was to China's interest to promote this tension. He pointed out that Chinese authorities in Sinkiang had kept the British and American authorities there fully informed of their version of the matter and that efforts had been made to interest the British and American Governments. Finally, the Chinese had prepared a lengthy statement and were about to release it in Chungking when the strong and obviously official TASS report appeared and got in the "first word".

This explanation of the whole affair as a Chinese effort to Complicate relations among the United Nations, even though coming from what must be considered a good Chinese source, can hardly be accepted as sufficient. Chinese motives may actually be several:

1. The Central Government wishes to establish its undisputed control over the whole of Sinkiang.

This recovery of Sinkiang is an important part of Chinese irredentism, which from a slightly different viewpoint, amounts to feudalistic imperialism. The Kuomintang regards its successful completion as a race against time - the day when Russia has recovered sufficiently from her crisis in the West to seek again to draw Sinkiang into

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her sphere of influence.

The establishment of this control involves:

(a) Establishing direct administrative control over the whole of the province. Important in this connection is the area, apparently north of the main watershed of the Altai Mountains in the northern tip of Sinkiang, which is claimed by both Sinkiang and Outer Mongolia. This dispute, though denied officially in Chungking, is admitted by unimpeachable official Chinese sources in Sinkiang. It is also shown by a comparison of Chinese and foreign maps (see sketch which forms enclosure no. 2). The disputed area is of strategic importance for planned future efforts by China to regain Outer Mongolia.

(b) Breaking up stubborn and largely independent racial minorities such as the Kaz aks. One of the main centers of the Kaz ak population is this disputed Altai region where they have lived in the past with little governmental control.

(c) Overcoming continuing local opposition to Central Government control. The majority of the population of Sinkiang is non-Chinese and Chinese control there has always been unstable. It is reported that the people are not taking enthusiastically to the present Chinese attempt to reassert this control. There are stories, for instance, that there have been disturbances in which some of the recent Chinese settlers transported to Sinkiang by the Central Government have been killed. Contributing causes to such trouble, it may be assumed are the limited amount of irrigable land in Sinkiang and the historic tendency of the agricultural Chinese to encroach upon and destroy the grass lands which the livelihood of the nomadic population depends. Other causes of local opposition are also understandable. The Chinese in the past, and in the recent plans and statements of the Generalissimo, show an inability to conceive or adopt means of control other than colonization and the use of military power. There is not even talk, for instance, of plans

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for economic, social and political reforms (including a large degree of genuine self-government) which might make the people of Sinkiang a willing and voluntary part of China.

2. The Chinese may wish to feel out Russian policy. This is important from a number of aspects;

(a) In regard to Outer Mongolia. The Kuomintang considers Outer Mongolia to be definitely a part of China, and it is determined, as a part of its announced mission to restore China's freedom and territorial integrity, to bring about its eventual return to Chinese control. An examination of Chinese claims to Outer Mongolia is of interest.

Legally, there is basis for these claims. In 1924 Soviet Russia committed itself to the recognition there of Chinese sovereignty. In 1936 when the Soviet Government signed a Treaty of Mutual Assistance with the Outer Mongolian Peoples Republic, it answered the prompt Chinese protests by stating that the treaty did not invalidate Chinese sovereignty and was aimed, not against China, but against other possible Third-party aggression. But these Russian commitments have been vague, and the true shape and strength of policy has been unknown.

Historically, the Chinese claim to Outer Mongolia is much weaker. The country was a part of the Chinese Empire under the recent dynasty partly by virtue of all iance with and partly by conquest by, the Manchus, the conquerors of China. The Mongols therefore shared, as partners of the Manchus, in ruling China, chiefly by the supply of troops. They have never considered themselves a real part of the Chinese Republic and the Republic has had only very brief and fragmentary control over the country.

Morally, it can be argued that the Chinese have lost whatever claim they may have had. Their policy, where and when they have had a chance to exercise it, has been selfish and oppressive. Mongolia for a time was the field of unscrupulous military adventurers.



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Nothing has ever been done to protect or benefit either the country or the people. Self-determination of minority peoples is a doctrine noticeable in Kuomintang thinking for its absence. The Generalissimo goes to great length in China's DESTINY to prove that the Mongols, like the other minorities, are actually a part of the Chinese race. It would not be surprising, therefore, to find that the Mongols, as the Tibetans and probably the non-Chinese population of Sinkiang, hate and fear the Chinese and are determined to maintain their independence.

(b) In regard to the Chinese Communist problem. The Kuomintang believes that the Chinese Communists have been in the past, and may be again in the future, supported by the Soviets. They may consider that the firmness of Russian policy in Outer Mongolia can be taken as an indication of Russian interest and aims with respect to the Communists.

(c) In regard to Russian plans in Sinkiang, in Manchuria, in China as a whole, and for eventual participation in the Far Eastern war. It may be argued, for instance, that if Russia intends to take a benevolent part in the war, if she does not intend to seek her own selfish interests, and if she wants to have as her neighbor a strong, independent and friendly China (under the Kuomintang), then she will support China's territorial integrity and not dispute Chinese claims to actual - rather than theoretical - sovereignty over such areas as Outer Mongolia.

3. Present Chinese leadership may wish to stipulate anti-Russian feeling, both in China and abroad.

The Kuomintang government, and many other Chinese, fear Russia and regard her as a greater enemy - certainly potentially - than Japan. With their traditional, and apparently unshakable, habit of playing off one party against another, these elements dislike evidences of closer British-Soviet-American understanding, and welcome signs of differences and disunity. They count for support on the anti-Communist sentiments of the controlling British con-



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servatives and a large part of the American people. Recent articles from the United States by Chinese newsmen (of the Kuomintang's official news agency) emphasize the Allied suspicions of Russia's motives. The Generalissimo in recent talks has dwelt on the supposed frictions between the United States and Great Britain and Russia, and the machinations of the Russians in the Far East. Other important figures in the government, including HO Ying-chin and T. V. Soong, have expressed great concern over Russia's evil intentions. The Vice Minister of Foreign Affairs in remarks to Chinese newspapermen (made off the record) has tried to blame Russia for blocking the shipment of American supplies to China through Sinkiang.

Kuomintang holders of this attitude may believe that the interests of China will be served by a demonstration of Russian "imperialism" in Asia similar to that in Poland and other countries of Eastern Europe. This demonstration will supposedly have a good effect on foreign opinion regarding such questions as the Kuomintang-Communist conflict. It can likewise, and for the same reasons, be hoped that it will weaken the position of the Chinese liberals most of whom are friendly toward Russia and pro-Chinese Communist.

4. The Government seeks an opportunity to rally Chinese nationalism and to provide a diversion of attention from failings in other directions.

This follows naturally from the third point mentioned above. If things are not going well at home, (which is very definitely the case in China at present), there can be nothing better than finding a foreign scape-goat toward which to divert attention. The Government has sought to give a boost to national morale by making much of the recovery of Sinkiang and the plans for the development of the whole Northwest; now it can claim that this is threatened by Russia. If the Chinese Communists and Japan can be brought into the picture, so much the better. Worthy of note in this connection is the apparently sudden emergence of rumors of a Soviet-Japanese

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Chinese Communist understanding, of arrangements between the Communists and the Japanese for a Communist corridor to Outer Mongolia, of fighting between the Communist and Central Government forces in North Honan, and of shipments of Soviet arms to the Communists by air. These stories come from many sources, including the highest officials. But there is as yet no evidence of their having any basis in fact.

It apparently has been a favorite tactic of the Chinese leaders during the past two or three years, when they felt moral pressure to take some more positive part in the war, to seek refuge in the excuse of a Japanese threat in some other quarter. The recent Sinkiang developments can be interpreted as a variant of this strategy.

This explanation of the Sinkiang situation as having direct Central Government motivation may be considered too dogmatic. But it is hardly probable that Sheng Shih-tsai, weakened by the withdrawal of his former mainstay - Russian military forces and aviation, and certainly preoccupied with the maintenance of his position in the face of growing Central Government control, would independently, or even willingly, seek trouble for himself by campaigning against the redoubtable Kaskaks and attempting to establish his frontier in areas known to be disputed with Outer Mongolia. As mentioned in my memorandum of March 22nd, some well informed Chinese believe that Sheng was under direct orders from the Generalissimo to create a military base in this area, strategic for possible future pressure on Outer Mongolia. The fact cannot be denied that China, in the face of internal troubles and a stagnant war effort, is showing an amazing concentration on peripheral problems - Tibet, Northwest development, the status of North Burma, and even the borders of Indo-China and Thailand. Also it cannot be denied that China's relations with Russia have steadily deteriorated to a point of tension: There was bickering and bad feeling over the withdrawal of Russian interest from Sinkiang; the movement of Russian planes and trucks in China has been practically stopped; Russian military advisors are no longer welcomed or consulted; trade and barter are at a near standstill and Russia claims that the Chinese have not lived up to their promises; attempted transport arrangements have so far been a failure; Chinese feeling against Russia has

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become more outspoken; and, as mentioned before, the Chinese lost no time in trying to exploit the anti-Russian angles of the present incident.

Crediting the Chinese with at least a lack of concern over complicating their own and their allies relations with Russia may also be objected to on the ground that China is anxious to have Russia enter the war against Japan. I do not believe that such is actually the case. General Chinese public opinion may desire to have Russia enter the war at an early date in the hope that this will ensure the speedy defeat of Japan. But the Kuomintang's leaders, I suggest, give only lip service to this idea. On the contrary, if they are as calculating as we must assume they are, they will very much prefer to have Japan defeated by the United States, which they hope will continue to be friendly to the Kuomintang and opposed to the spread of Communist influence in China. By the same reasoning, the Kuomintang dreads the active participation by Russia in the defeat of Japan because this will give Russia an undeniable voice in Far Eastern affairs and will greatly increase her prestige and the influence of Communism with the people of China. We can expect, therefore, that as American strength in the Pacific increases and our war against Japan progresses favorably - as it is doing at present - the Chinese government will become more and more anti-Russian.

These may have been the Chinese motives in Sinkiang. What has been the Chinese success?

The pretext has been provided for sending large Central Government military forces into Sinkiang. These may by force, overcome any unorganized local resistance and break up minority groups such as the Kazaks inside of Sinkiang. They should also ensure - perhaps after a period of maneuver and face saving - the eventual removal of Sheng Shih-tsai and his replacement by a nominee of the Central Government. They probably will not, however be able to establish the disputed boundary claimed by China, because the Outer Mongols, even without direct Soviet participation, appear to have an efficient and well equipped military force. There is also the danger that Central Government military control may prove a backfire by provoking rebellion in Sinkiang, either spontaneously from the resentment of the largely Mohammedan population, or through Russian connivance and support of such

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looking on the mysterious General MA Chung-ying - reportedly "captured" by the Russians for the past ten years for just such a possible eventuality. Chinese concern is shown by the numerous rumors of MA's appearance and by the anxiety to get the Chinese 42nd Army - one of General HU Tsung-man's best units - to Sinkiang as rapidly as possible. All trucks in Kuan are reported to have been commandeered for this purpose.

Russian policy, at least in regard to Outer Mongolia, appears to have been clearly tested. It is obvious that the Russians intend to stand by Outer Mongolia and to keep the country free - in other words, an autonomous republic under Soviet influence.

This stand which the Russians have been maneuvered into taking may convince some sections of Chinese and foreign opinion that Russia has sinister designs in China and the rest of East Asia. But if the Chinese expected active British or American support, they have so far been disappointed. The Soviet press seems to have given the matter little notice. The United States has shown little desire to complicate its relations with an important ally over what appears to be a border incident, possibly arising from Chinese provocation, and we have declined the bait of modified involvement by sending representatives to investigate, under Chinese auspices.

It seems significant that up to the time that the TASS report reached the world press and it had become obvious that foreign reaction was slight. The Chinese emphasized the aspect of Outer Mongol-Russian aggression and made sure, officially in Sinkiang and unofficially in Chungking, that the story was spread widely in all quarters. After that time, however, the Chinese have shown obvious confusion over the publicity policy which should be adopted and have stopped any efforts to play up the story. The TASS report was excluded from the Chinese press, and any news of the present situation in Sinkiang is unobtainable. The attitude of the spokesmen at the reported press conference strongly supports the general view that no Sinkiang news is to be released except by or with the express approval of the Generalissimo himself. Exceptions to this behavior have been a few officials, such as Ho, who from the beginning seem to have seen the dangers of the situation and disagreed with attempts to distort and simplify it, even though these attempts seem to have sprung from the Generalissimo.

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The occurrence of this incident, and the likelihood of its repetition in other forms if the Chinese leaders continue in their present course, raises the important question of the attitude which the United States should adopt toward Sino-Soviet differences. In a broader sense this question involves our overall relations with both Russia and the present Chinese government.

We must be concerned with Russian plans and policies in Asia because they are bound to effect our own plans in the same area. But our relations with Russia in Asia are at present only a subordinate part of our political and military relations with Russia in Europe in the over-all United Nations war effort and postwar settlement. We should make every effort to learn what the Russian aims in Asia are. A good way of gaining material relevant to this will be a careful first-hand study of the strength, attitudes, and popular support of the Chinese Communists. But in determining our policy toward Russia in Asia we should avoid being swayed by China. The initiative must be kept firmly in our hands. To do otherwise will be to let the tail wag the dog.

As for the present Chinese government, it must be acknowledged that we are faced with a regrettable failure of statesmanship. Chiang's persisting in an active anti-Soviet policy, at a time when his policies (or lack of them) are accelerating economic collapse and increasing internal dissension, can only be characterized as reckless adventurism. The cynical desire to destroy unity among the United Nations is serious. But it would also appear that Chiang unwittingly may be contributing to Russian dominance in Eastern Asia by internal and external policies which, if pursued in their present form, will render China too weak to serve as a possible counter-weight to Russia. By so doing, Chiang may be digging his own grave: not only North China and Manchuria, but also national groups such as Korea and Formosa may be driven into the arms of the Soviets.

Neither now, nor in the immediately foreseeable future, does the United States want to find itself in direct opposition to Russia in Asia; nor does it want to see Russia have undisputed dominance over a part or all of China.

The best way to cause both of these possibilities to become realities is to give, in either fact or appearance,

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support to the present reactionary government of China beyond carefully regulated and controlled aid directed solely toward the military prosecution of the war against Japan. To give diplomatic or other support beyond this limit will encourage the Kuomintang in its present suicidal anti-Russian policy. It will convince the Chinese Communists - who probably hold the key to control, not only of North China, but of Inner Mongolia and Manchuria as well - that we are on the other side and that their only hope for survival lies with Russia. Finally, Russia will be led to believe (if she does not already) that American aims run counter to hers, and that she must therefore protect herself by any means available: in other words, the extension of her direct power or influence.

It is important, therefore, that the United States have the following aims in its dealings with China:

1. Avoid becoming involved in any way in Sino-Soviet relations; avoid all appearance of unqualified diplomatic support to China, especially vis-a-vis Russia and limit American aid to China to direct prosecution of the war against Japan.

This may involve soft-peddling of grandiose promises of post-war aid and economic rehabilitation - unless they are predicated on satisfactory reforms within China.

2. Show a sympathetic interest in the Communists and liberal groups in China. Try to fit the Communists into the war against Japan.

In so doing, we may promote Chinese unity and galvanize the lagging Chinese war effort. The liberals, generally speaking, already consider that their hope lies in America. The Communists from what little we know of them also are friendly toward America, believe that democracy must be the next step in China, and take the view that economic collaboration with the United States is the only hope for speedy post-war rehabilitation and development. It is vital that we do not lose this goodwill and influence.

3. Use our tremendous and as yet unexploited influence with the Kuomintang to promote internal Chinese unity on the only possible and lasting foundation of progressive reform.



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There is no reason for us to fear using our influence. The Kuomintang knows that it is dependent on us; it cannot turn toward a Japan approaching annihilation; it is inconceivable that it will turn toward communistic Russia; and Great Britain is not in a position to be of help. American interest in the Chinese Communists will be a potent force in persuading Kuomintang China to set its house in order.

The Communists would undoubtedly plan an important part in a genuinely unified China - one not unified by the Kuomintang's present policy in practice of military force and threat. But it is most probable that such a democratic and unified China would naturally gravitate toward the United States and that the United States, by virtue of a sympathy, position, and economic resources, would enjoy a greater influence in China than any other foreign power.



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Press Conference of April 5, 1944

- Q. Can the Vice Minister (of Foreign Affairs) amplify the information quoted by CENTRAL NEWS (on April 3) as coming from official sources in regard to the Sinkiang incident?
- A. I have no statement to make in regard to this matter. I regret that I cannot amplify the information already given to the press.
- Q. Is there any question of clarity of the border?
- A. I regret that I have no statement and cannot discuss this matter.
- Q. Can you be quoted as saying that there is no statement?
- A. (After hesitation), I think it is better that you not quote me as saying that there is no statement.
- Q. Is any further statement in regard to the matter being prepared?
- A. Not that I know of.
- Q. Will the Vice Minister comment on the recently concluded agreement between Soviet Russia and Japan?
- A. No statement.
- Q. Does the spokesman have any news to give us in regard to the rice riots which have recently occurred in Chungking?
- A. (Apparent surprise) I do not know of any.
- Q. Does the spokesman know of any recent incidents involving shooting between gendarmes and civilians?
- A. (Consultation among the spokesman) I do not know of any such incidents. Where did they take place and when?
- Q. At Shapingba. Gendarmes opened fire after a crowd looted some rice shops. Ten people were killed.
- A. (By P.M. Chang) I will try to find out about the matter from the municipal authorities. (K. G. Hu then spent several minutes

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saying that when he was mayor of Chungking rumors of such rice riots were common but were always found to be groundless; he was therefore convinced that there was also no basis for the present story).

Q. Is Outer Mongolia an integral part of China? (As Forman started to ask this question, K.C. Wu tried to stop him, saying: "Please do not ask that question". Forman insisted on putting the question on the ground that he had at least a right to ask, and that the question had an important bearing on the matter inasmuch as if Outer Mongolia was a part of China movements of Chinese troops into it from Sinkiang would be a purely domestic matter).

A. I am sorry I can say nothing. I can release no news on this question. I can answer no question. Do not try to argue me out of my position. I must be adamant. Please excuse me.

Q. Can you give us some general diplomatic background to the problem?

A. I cannot discuss these questions. (The Vice Minister was obviously ill at ease and apologetic. Privately he told several correspondents that if they came to see him he could show them relative documents - presumably the treaties).

Q. Surely there is no objection to giving us some historical background.

No answer.

Q. I believe that last week you sort of promised to find out and tell us where MA Chung-yin is and where he has been for the last ten years.

A. Did I make any such promise? I cannot remember it. I'm sorry.

Q. Can we say that the spokesman refuses to discuss these questions?

A. I think you had better not.

Q. Has the Chinese Government addressed any official communication to the Soviet Government?

A. In diplomacy we never reveal anything - until the proper time comes for revelation.

Q. How is it revealed to them? Will it be the press?

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- A. This is a matter between China and Soviet Russia.
- Q. In view of the forthcoming conference on post-war aviation problems, can the spokesman tell us China's attitude on these problems?
- A. China is deeply interested in these important problems.
- Q. Articles recently appeared in the Chinese press referring to colonial possessions in Indonesia and Malaya as "formerly British", or "formerly Dutch". What was the meaning of referring to them in this way?
- A. Probably because they are now under occupation by Japan.
- Q. Has the probable effect abroad of such references been considered?
- A. Nothing was meant.
- Q. Another article has recently appeared in the Chinese press saying: "We must fight French imperialism". Does this refer to De Gaulle; if not, to whom?
- A. I do not know of any such article. What paper did it appear in? I am sorry but I cannot answer without more details.
- Q. Your censor passed the article. If it does not represent the attitude of the Chinese Government, I would like to follow it up with a message saying that.
- After some pointless exchanges Gelder asked to be excused and returned in a few minutes with his telegraph file.
- A. We have more or less recognized the French National Committee. This therefore cannot refer to the Committee. But the French in Indo-China are under Japanese control.
- Q. What about the return of Indo-China to French control?
- A. China has no territorial ambitions except to recover her lost territories as discussed and agreed to at Cairo. (Indo-China, of course, can be considered as "lost territory" and recent articles in such publications as the SAN SHIN CHU I WEEKLY have suggested this claim).
- Q. The article appeared in the SHIN SHIN PAO and - - magazine.

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A. These publications are not official and do not represent official views.

Q. Can you be quoted as saying this article does not represent official views?

A. Yes.

Q. Can the spokesman comment further in regard to post-war aviation?

A. I have nothing more than I have already said. China is much interested in these problems.

Q. Will the spokesman comment in regard to the Japanese advance into Manipur State? The foreign press has been carrying stories that China is worried.

A. (After some thought and brow knitting) The Japanese drive will end in failure if the Allied forces put up resistance. There is no ground for concern.

Q. If the Allied forces put up resistance?

A. (By interpreter) I should have said "judging by the resistance of the Allied forces".

Q. On March 6 DOWEI reported an important military conference at Peiping of puppet and Japanese military commanders. The first name listed is that of General PANG Ping-hsun. Earlier Chinese statements said that General Pang had been captured and taken against his will. Can the spokesman give us further information regarding the status of General Pang?

A. (After protracted consultation between the spokesman) The matter has been dwelt upon by the Military spokesman in another conference. General Pang's name has been exploited by the Japanese for propaganda purposes.

Q. I mentioned the matter because I thought the civil and propaganda branches of the government might have further information or comment.

A. Until more is known of this reported conference and of General Pang's status, no statement can be made.

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HEADQUARTERS UNITED STATES ARMY FORCES  
CHINA BURMA INDIA  
OFFICE OF STRATEGIC SERVICES

China 14393

x Sinkiang  
x Chong Kai  
S. L. L.

April 21/1944

Director, Office of Strategic Services  
25th and E Streets N. W.  
Washington, D. C.

Attention: Colonel G. Edward Buxton

Dear Colonel Buxton:

I am enclosing two secret reports on China. One has to do with the Sinkiang situation and the other with the Generalissimo. They are the reports of a very trustworthy observer and can be given considerable weight. I suggest that a copy be furnished R & A and SI respectively.

original letter filed OSS Operations 12,256 B

COPY

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April 4, 1944

## VIRGILLIANUS NEWS ITEMS

TNY Assistant Chief of Staff, G-2

1. The Generalissimo is apparently still out of town — the reason for the long delay in the release of the Chinese statement regarding Sinkiang was it had to be telegraphed to the Generalissimo for approval. The common rumor is that he is in Sian, although some say Lanchow.

2. From many sources come reports that the Generalissimo has been under great strain during the past few weeks, some even saying that he has been "half crazy". There is general agreement that the problems worrying the Generalissimo are; increasing foreign criticism (Chinese are desperately curious to learn the contents of recent articles in the foreign press which are known to have been published but which of course are not released in China); relations with the American Army, including Army expenditures, negotiations over exchange rate, and problems brought up by General Stilwell (the story is around that the Generalissimo hit the roof after his talk with the General); and the Sinkiang situation (the Generalissimo is credited with daily tantrums at the slow progress of the Central Government military reinforcements moving toward Sinkiang by truck and the jittery attitude of Chinese officials regarding publicity is explained by the Generalissimo's order that nothing is to be released except after his approval).

3. The Chinese statement regarding the Sinkiang bombing incident (which appeared this morning) is an extremely weak reply to the TASS story. It now appears, despite early Chinese denials, that the border between Sinkiang and Outer Mongolia is in dispute, and that the original bombing occurred very close to the line claimed by Outer Mongolia. Official Chinese circles are very jittery. After first trying to play the incident up, they are now trying to tone it down. Censors prevented publication of the TASS story. Rumors persist that Mr. Chung-yin is loose somewhere in Sinkiang. If this is true, it may mean trouble. The Central Government is rushing the 42nd Army to the province.

4. The prospect for settlement of Kuomintang-Communist problems seems to be getting worse. Lin Pui-hsu, the preliminary Communist delegate for the planned discussions, has not yet left Yenan. There are reports of fighting between Central Government and Communist troops in Northwest Honan. Communists are accused of massing troops in North Shensi in preparation for the opening of a corridor to Outer Mongolia. Further reports allege that this has been agreed to by the Japanese in return for a Communist agreement to relinquish Central Hopeh. There is a flood of rumors of Russian planes transporting "large quantities of munitions" to Yenan.

5. The press correspondents' trip to Yenan is being delayed—allegedly because of the impossibility of awaiting Lin's arrival in order to complete arrangements. The excuse is obviously flimsy and the whole question was the subject of a very stormy press conference last Thursday. Meanwhile the Ministry of Information is making efforts to have "safer" personnel included and it appears that censorship arrangements will be unsatisfactory.

6. It is reported that a "National Administrative Conference" will be

**SECRET**

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held at Chungking about May 5. All provincial chairmen and commissioners will be required to attend. Following this conference, about May 12, there will be a plenary session (the 12th) of the Kuomintang Central Executive Committee. Main points of the agenda are: price control; the budget (the planned) budget for the current year will be exhausted about July at the present rate of expenditure; the Communist problem; and preparation for Constitutional Government. Following the CEC meeting the Peoples Political Council will be convened.

7. Chinese are getting frightened regarding a Japanese drive in Honan. Government officials are reported to have evacuated Lovang and today a banking representative asked whether it was true that Loyang had already been captured by the Japanese. There are also reports that Foyang, Anhwei, has been taken by the Japanese. This is the city to which General TANG En-po was recently ordered to move his headquarters.



13.498

COPY

April 7, 1944

SUBJECT: Situation in Sinkiang

TO: Assistant Chief of Staff, G-2

Reference is made to item 3 of the memorandum of April 4 entitled  
 KIDNAPING NEWS ITEMS.

There is attached a report of the Chinese Government press conference on April 5, most of which was taken up with fruitless efforts of the press correspondents to learn something regarding the situation in Sinkiang. It is obvious that the Chinese though greatly concerned over the bombing incident and the situation in Sinkiang, are still confused and undecided as to the policy which they should adopt.

An official of the International Publicity Board in a private talk with a well-known foreign correspondent on the evening of April 5 admitted the general veracity of the TASS story and other reports tending to show Chinese provocation. He made the definite statement that Chinese troops had actually crossed the border into Outer Mongolia. He explained these actions on the basis of Chinese conviction that relations between Russia and Great Britain and the United States were strained and that it was to China's interest to promote this tension. He pointed out that Chinese authorities in Sinkiang had kept the British and American authorities there fully informed of their version of the matter and that efforts had been made to interest the British and American Governments. Finally, the Chinese had prepared a lengthy statement and were about to release it in Shanghai when the strong and obviously official TASS report appeared and got in the "first word".

This explanation of the whole affair as a Chinese effort to complicate relations among the United Nations, even though coming from what must be considered a good Chinese source, can hardly be accepted as sufficient. Chinese motives may actually be several:

1. The Central Government wishes to establish its undisputed control over the whole of Sinkiang.

This recovery of Sinkiang is an important part of Chinese irredentism, which from a slightly different viewpoint, amounts to feudalistic imperialism. The government regards its successful completion as a race against time -- the day when Russia has recovered sufficiently from her crisis in the East to seek again to draw Sinkiang into her sphere of influence.

The establishment of this control involves:

(a) Establishing direct administrative control over the whole of the province. Important in this connection is the area, apparently south of the main watershed of the Altai Mountains in the northern part of Sinkiang which is claimed by both Sinkiang and Outer Mongolia. This area is of great strategic importance in Sinkiang, is rich in oil,



- 2 -

official Chinese sources in Sinkiang. It is also shown by a comparison of Chinese and foreign maps (see sketch which forms appendix no. 2). The disputed area is of strategic importance for planned future efforts by China to regain Outer Mongolia.

(b) Breaking up stubborn and largely independent racial minorities such as the Kazaks. One of the main centers of the Kazak population is this disputed Altai region where they have lived in the past with little governmental control.

(c) Overcoming continuing local opposition to Central Government control. The majority of the population of Sinkiang is non-Chinese and Chinese control there has always been unstable. It is reported that the people are not taking enthusiastically to the present Chinese attempt to reassert this control. There are stories, for instance, that there have been disturbances in which some of the recent Chinese settlers transported to Sinkiang by the Central Government have been killed. Contributing causes to such trouble, it may be assumed, are the limited amount of irrigable land in Sinkiang and the historic tendency of the agricultural Chinese to encroach upon and destroy the grass lands which the livelihood of the nomadic population depends. Other causes of local opposition are also understandable. The Chinese in the past, and in the recent plans and statements of the Government, show an inability to conceive or adopt means of control other than colonization and the use of military power. There is not even talk, for instance, of plans for economic, social and political reforms (including a large degree of genuine self-government) which might make the people of Sinkiang a willing and voluntary part of China.

2. The Chinese may wish to feel out Russian policy. This is important from a number of aspects:

(a) In regard to Outer Mongolia. The Kuomintang considers Outer Mongolia to be definitely a part of China, and it is determined, as a part of its announced mission to restore China's freedom and territorial integrity, to bring about its eventual return to Chinese control. An examination of Chinese claims to Outer Mongolia is of interest.

Legally, there is basis for these claims. In 1924 Soviet Russia committed itself to the recognition there of Chinese sovereignty. In 1936 when the Soviet Government signed a Treaty of Mutual Assistance with the Outer Mongolian Peoples Republic, it answered the prompt Chinese protests by stating that the treaty did not invalidate Chinese sovereignty and was aimed, not against China, but against other possible third-party aggression. But these Russian commitments have been vague, and the true shape and strength of Russian policy has been unknown.

Historically, the Chinese claim to Outer Mongolia is much weaker. The country was a part of the Chinese Empire under the recent dynasty partly by virtue of alliance with, and partly by conquest by, the Manchus, the conquerors of China. The Mongols therefore shared, as partners of the Manchus, in ruling China, chiefly by the supply of troops. They

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have never considered themselves a real part of the Chinese Republic and the Republic has had only very brief and fragmentary control over the country.

Usually, it can be argued that the Chinese have lost whatever claim they may have had. Their policy, where and when they have had a chance to exercise it, has been selfish and oppressive. Mongolia for a time was the field of unscrupulous military adventurers. Nothing has ever been done to protect or benefit either the country or the people. Self-determination of minority peoples is a doctrine noticeable in Communist thinking for its absence. The Generalissimo goes to great lengths in China's PRESS to prove that the Mongols, like the other minorities, are actually a part of the Chinese race. It would not be surprising, therefore, to find that the Mongols, as the Tibetans and probably the non-Chinese population of Sinkiang, hate and fear the Chinese and are determined to maintain their independence.

(b) In regard to the Chinese Communist problem. The Kuomintang believes that the Chinese Communists have been in the past, and may be again in the future, supported by the Soviets. They may consider that the finances of Russian policy in Outer Mongolia can be taken as an indication of Russian interest and aims with respect to the Communists.

(c) In regard to Russian plans in Sinkiang, in Manchuria, in China as a whole, and for eventual participation in the Far Eastern war. It may be argued, for instance, that if Russia intends to take a benevolent part in the war, if she does not intend to seek her own selfish interests, and if she wants to have as her neighbor a strong, independent and friendly China (under the Kuomintang), then she will support China's territorial integrity and not dispute China's claims to control — rather than theoretical — sovereignty over such areas as Outer Mongolia.

3. Present Chinese leadership may wish to stimulate anti-Russian feeling, both in China and abroad.

The Kuomintang government, and many other Chinese, fear Russia and regard her as a greater enemy — certainly, potentially — than Japan. With their traditional, and apparently unshakable, habit of playing off one party against another, these elements dislike evidences of closer British-Soviet-American understanding, and welcome signs of differences and dissunity. They count for support on the anti-Communist sentiments of the controlling British conservatives and a large part of the American people. Recent articles from the United States by Chinese newsmen (of the Kuomintang's official news agency) emphasize the Allied suspicions of Russia's motives. The Generalissimo in recent talks has dwelt on the supposed frictions between the United States and Great Britain and Russia, and the machinations of the Russians in the Far East. Other important figures in the government, including HO Ying-chin and T. T. Sung, have expressed great concern over Russia's evil intentions. The Vice Minister of Foreign Affairs in remarks to Chinese newspapermen (made off the record) has tried to blame Russia for blocking the shipment of American supplies to China through Sinkiang.

Some members of this attitude may believe that the interests of China will be served by a conservation of Russian materialism.

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Asia similar to that in Poland and other countries of Eastern Europe. This demonstration will supposedly have a good effect on foreign opinion regarding such questions as the Kuomintang-Communist conflict. It can likewise, and for the same reasons, be hoped that it will weaken the position of the Chinese liberals most of whom are friendly toward Russia and pro-Chinese Communist.

4. The Government seeks and opportunity to rally Chinese nationalism and to provide a diversion of attention from failings in other directions.

This follows naturally from the third point mentioned above. If things are not going well at home, (which is very definitely the case in China at present), there can be nothing better than finding a foreign scape-goat toward which to divert attention. The Government has sought to give a boost to national morale by making much of the recovery of Sinkiang and the plans for the development of the whole Northwest; now it can claim that this is threatened by Russia. If the Chinese Communists and Japan can be brought into the picture, so much the better. Worthy of note in this connection is the apparently sudden emergence of rumors of a Soviet-Japanese-Chinese Communist understanding, of arrangements between the Communists and the Japanese for a Communist corridor to Outer Mongolia, of fighting between the Communist and Central Government forces in North Moan, and of shipments of Soviet arms to the Communists by air. These stories come from many sources, including the highest officials. But there is as yet no evidence of their having any basis in fact.

It apparently has been a favorite tactic of the Chinese leaders during the past two or three years, when they felt moral pressure to take some more positive part in the war, to seek refuge in the excuse of a Japanese threat in some other quarter. The recent Sinkiang developments can be interpreted as a variant of this strategy.

This explanation of the Sinkiang situation as having direct Central Government motivation may be considered too dogmatic. But it is hardly probable that Chiang Shih-kai, weakened by the withdrawal of his former mainstay — Russian military forces and aviation, and certainly preoccupied with the maintenance of his position in the face of growing Central Government control, would independently, or even willingly, seek trouble for himself by campaigning against the redoubtable Kasaiks and attempting to establish his frontier in areas known to be disputed with Outer Mongolia. As mentioned in my memorandum of March 22nd, some well informed Chinese believe that Sheng was under direct orders from the Generalissimo to create a military base in this area, strategic for possible future pressure on Outer Mongolia. The fact cannot be denied that China, in the face of internal troubles and a stagnant war effort, is showing an amazing concentration on peripheral problems — Tibet, Northwest development, the status of North Burma, and even the borders of Indo-China and Thailand. Also it cannot be denied that China's relations with Russia have steadily deteriorated to a point of tension. There was bickering and bad feeling over the withdrawal of Russian interest from Sinkiang; the movement of Russian planes and trucks in China has been practically stopped; Russian military advisors are no longer welcomed or consulted; trade and border are at a near standstill and Russia claims that the Chinese have not lived up to their promises; attempted transport arrangements have so far been a failure; Chinese feeling against Russia has

- 5 -

become more outspoken; and, as mentioned before, the Chinese lost no time in trying to exploit the anti-Russian angles of the present incident.

Crediting the Chinese with at least a lack of concern over complicating their own and their allies relations with Russia may also be objected to on the ground that China is anxious to have Russia enter the war against Japan. I do not believe that such is actually the case. General Chinese public opinion may desire to have Russia enter the war at an early date in the hope that this will ensure the speedy defeat of Japan. But the Kuomintang's leaders, I suggest, give only lip service to this idea. On the contrary, if they are as calculating as we must assume they are, they will very much prefer to have Japan defeated by the United States, which they hope will continue to be friendly to the Kuomintang and opposed to the spread of Communist influence in China. By the same reasoning, the Kuomintang dreads the active participation by Russia in the defeat of Japan because this will give Russia an undeniable voice in Far Eastern affairs and will greatly increase her prestige and the influence of Communism with the people of China. We can expect, therefore, that as American strength in the Pacific increases and our war against Japan progresses favorably — as it is doing at present — the Chinese government will become more and more anti-Russian.

\*\*\*\*\*  
 These may have been the Chinese motives in Sinkiang. What has been the Chinese success?

The pretext has been provided for sending large Central Government military forces into Sinkiang. These may by force, overcome any unorganized local resistance and break up minority groups such as the Kasaks inside of Sinkiang. They should also ensure — perhaps after a period of maneuver and face saving — the eventual removal of Sheng Shih-tsai and his replacement by a nominee of the Central Government. They probably will not, however be able to establish the disputed boundary claimed by China, because the Outer Mongols, even without direct Soviet participation, appear to have an efficient and well equipped military force. There is also the danger that Central Government military control may prove a stumbling block by provoking rebellion in Sinkiang, either spontaneously from the resentment of the largely Mohammedan population, or through Russian connivance and support of such leaders as the mysterious General MA Chung-ying — reportedly Sheng's ally by the Russians for the past ten years for just such a possible overtness. Chinese concern is shown by the numerous rumors of MA's appearance and by the anxiety to get the Chinese 42nd Army — one of General HU Tsung-ma's best units — to Sinkiang as rapidly as possible. All trucks in Kansu are reported to have been commandeered for this purpose.

Russian policy, at least in regard to Outer Mongolia, appears to have been clearly tested. It is obvious that the Russians intend to stand by Outer Mongolia and to keep the country free — in other words, an autonomous republic under Soviet influence.

This stand which the Russians have been maneuvered into taking may convince some sections of Chinese and foreign opinion that Russia has sinister designs in China and the West of East Asia. But if the Chinese expected active British and American support, they have as far been disappointed. The foreign press seems to have given the matter little notice. The United States has shown little desire to become involved with an important ally over what appears to be a border dispute. The Chinese have been disappointed. And we have declined the British request for assistance by sending troops and supplies to Sovietistan, under Chinese

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It seems significant that up to the time that the TASS report reached the world press and it had become obvious that foreign reaction was slight, the Chinese emphasized the aspect of Outer Mongol-Russian aggression and made sure, officially in Sinkiang and unofficially in Chungking, that the story was spread widely in all quarters. After that time, however, the Chinese have shown obvious confusion over the publicity policy which should be adopted and have stopped any efforts to play up the story. The TASS report was excluded from the Chinese press, and any news of the present situation in Sinkiang is unobtainable. The attitude of the spokesman at the reported press conference strongly supports the general rumor that no Sinkiang news is to be released except by or with the express approval of the Generalissimo himself. Exceptions to this behavior have been a few officials, such as SUN Fo, who from the beginning seem to have seen the dangers of the situation and disagreed with attempts to distort and magnify it, even though these attempts seem to have sprung from the Generalissimo.

The occurrence of this incident, and the likelihood of its repetition in other forms if the Chinese leaders continue in their present course, raises the important question of the attitude which the United States should adopt toward Sino-Soviet differences. In a broader sense this question involves our overall relations with both Russia and the present Chinese government.

We must be concerned with Russian plans and policies in Asia because they are bound to affect our own plans in the same area. But our relations with Russia in Asia are at present only a subordinate part of our political and military relations with Russia in Europe in the over-all United Nations war effort and post-war settlement. We should make every effort to learn what the Russian aims in Asia are. A good way of gaining material relevant to this will be a careful first-hand study of the strength, attitudes, and popular support of the Chinese Communists. But in determining our policy toward Russia in Asia we should avoid being swayed by China. The initiative must be kept firmly in our hands. To do otherwise will be to let the tail wag the dog.

As for the present Chinese government, it must be acknowledged that we are faced with a regrettable failure of statesmanship. Chiang's persisting in an active anti-Soviet policy, at a time when his policies (or lack of them) are accelerating economic collapse and increasing internal dissension, can only be characterized as reckless adventurism. The cynical desire to destroy unity among the United Nations is serious. But it would also appear that Chiang unwittingly may be contributing to Russian dominance in Eastern Asia by internal and external policies which, if pursued in their present form, will render China too weak to serve as a possible counter-weight to Russia. By so doing, Chiang may be digging his own grave; not only North China and Manchuria, but also national groups such as Kure and Formosa may be driven into the arms of the Soviets.

Neither now, nor in the immediately foreseeable future, does the United States want to find itself in direct opposition to Russia in Asia; nor does it want to see Russia have undisputed dominance over a part or all of China.

The best way to cause both of these possibilities to become realities is to give, in either fact or appearance, support to the present reactionary government of China beyond carefully regulated and controlled aid directed solely toward the military prosecution of the war against Japan. To give diplomatic or other support beyond this will encourage the Kuomintang in its present suicidal anti-Soviet policy. It will convince the Chinese Communists -- who probably hold the key to

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control, not only of North China, but of Inner Mongolia and Manchuria as well — that we are on the other side and that their only hope for survival lies with Russia. Naturally, Russia will be led to believe (if she does not already) that America also has counter to hope, and that she must therefore protect herself by the means available; in other words, the extension of her direct power or influence.

It is important, therefore, that the United States have the following aims in its dealings with China:

1. Avoid becoming involved in any way in Sino-Soviet relations; avoid all appearance of unqualified diplomatic support to China, especially vis-a-vis Russia and limit American aid to China to direct prosecution of the war against Japan.

This may involve soft-peddling of grandiose promises of post-war aid and economic rehabilitation — unless they are predicated on satisfactory reforms within China.

2. Show a sympathetic interest in the Communists and liberal groups in China. Try to fit the Communists into the war against Japan.

In so doing, we may promote Chinese unity and galvanize the lagging Chinese war effort. The liberals, generally speaking, already consider that their hope lies in America. The Communists from that little we know of them also are friendly toward America, believe that democracy must be the next step in China, and take the view that economic collaboration with the United States is the only hope for speedy post-war rehabilitation and development. It is vital that we do not lose this good will and influence.

3. Use our tremendous and as yet unexploited influence with the Kuomintang to promote internal Chinese unity on the only possible and lasting foundation of progressive reform.

There is no reason for us to fear losing our influence. The Kuomintang knows that it is dependent on us; it cannot turn toward a Japan approaching annihilation; it is inconceivable that it will turn toward communist Russia; and Great Britain is not in a position to be of help. American interest in the Chinese Communists will be a potent force in persuading Kuomintang China to set its house in order.

The Communists would undoubtedly play an important part in a genuinely unified China — one not unified by the Kuomintang's present policy in practice of military force and terror. But it is most probable that such a democratic and unified China would naturally gravitate toward the United States and that the United States, by virtue of a sympathetic position, and economic resources, would enjoy a greater influence in China than any other foreign power.

Press Conference of April 5, 1944

Q. Can the Vice Minister (of Foreign Affairs) amplify the information quoted by CENTRAL NEWS (on April 3) as coming from official sources in regard to the Sinkiang incident?

A. I have no statement to make in regard to this matter. I regret that I cannot amplify the information already given to the Press.

Q. Is there any question of clarity of the border?

A. I regret that I have no statement and cannot discuss this matter.

Q. Can you be quoted as saying that there is no statement?

A. (After hesitation) I think it is better that you not quote me as saying that there is no statement.

Q. Is any further statement in regard to the matter being prepared?

A. Not that I know of.

Q. Will the Vice Minister comment on the recently concluded agreement between Soviet Russia and Japan?

A. No statement.

Q. Does the spokesman have any news to give us in regard to the rice riots which have recently occurred in Chungking?

A. (Apparent surprise) I do not know of any.

Q. Does the spokesman know of any recent incidents involving shooting between gendarmes and civilians?

A. (Consultation among the spokesmen) I do not know of any such incidents. Where did they take place and when?

Q. At Shapingpa. Gendarmes opened fire after a crowd looted some rice shops. Ten people were killed.

A. (By P. H. Chang) I will try to find out about the matter from the municipal authorities. (K. G. Wu then spent several minutes saying that when he was mayor of Chungking rumors of such rice riots were common but were always found to be groundless; he was therefore convinced that there was also no basis for the present story).

Q. Is Outer Mongolia an integral part of China? (As Foran started to ask this question, K. G. Wu tried to stop him, saying: "please do not ask that

question". Foran insisted on putting the question on the ground that he had at least a right to ask, and that the question had an important bearing on the future of China as it was Mongolia was a part of China movements of Chinese troops into it from Sinkiang would be a purely domestic matter).



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A. I am sorry I can say nothing. I can release no news on this question. I can answer no question. Do not try to argue me out of my position. I must be adamant. Please excuse me.

Q. Can you give us some general diplomatic background to the problem?

A. I cannot discuss these questions. (The Vice Minister was obviously ill at ease and apologetic. Privately he told several correspondents that if they came to see him he could show them relative documents -- presumably the treaties).

Q. Surely there is no objection to giving us some historical background.

No answer.

Q. I believe that last week you sort of promised to find out and tell us where MA Chuan-yin is and where he has been for the last ten years.

A. Did I make any such promise? I cannot remember it. I'm sorry.

Q. Can we say that the spokesman refuses to discuss these questions?

A. I think you had better not.

Q. Has the Chinese Government addressed any official communication to the Soviet Government?

A. In diplomacy we never reveal anything -- until the proper time comes for revelation.

Q. Who is it revealed to them? Will it be the press?

A. This is a matter between China and Soviet Russia.

Q. In view of the forthcoming conference on post-war aviation problems, can the spokesman tell us China's attitude on these problems?

A. China is deeply interested in these important problems.

Q. Articles recently appeared in the Chinese press referring to colonial possessions in Indonesia and Malaya as "formerly British", or "formerly Dutch". What was the meaning of referring to them in this way?

A. Probably because they are now under occupation by Japan.

Q. Has the probable effect abroad of such references been considered?

A. Nothing was meant.

Q. Another article has recently appeared in the Chinese press saying we must fight French imperialism. Does this refer to De Gaulle? If not, to whom?

A. I do not know of any such article. What paper did it appear in? I am sorry but I cannot answer without more details.



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Q. Your censor passed the article. If it does not represent the attitude of the Chinese Government, I would like to follow it up with a message saying that.

A. After some pointless exchanges Golder asked to be excused and returned in a few minutes with his telegraph file.

Q. We have more or less recognized the French National Committee. This therefore cannot refer to the Committee. But the French in Indo-China are under Japanese control.

Q. What about the return of Indo-China to French control?

A. China has no territorial ambitions except to recover her lost territories as discussed and agreed to at Cairo. (Indo-China, of course, can be considered as "lost territory" and recent articles in such publications as the SHIN SHIN CHU I WEEKLY have suggested this claim).

Q. The article appeared in the SHIN SHIN HSIN PAO and.....magazine.

A. These publications are not official and do not represent official views.

Q. Can you be quoted as saying this article does not represent official views?

A. Yes.

Q. Can the spokesman comment further in regard to post-war aviation?

A. I have nothing more than I have already said. China is much interested in these problems.

Q. Will the spokesman comment in regard to the Japanese advance into Manipur State? The foreign press has been carrying stories that China is worried.

A. (After some thought and brow knitting) The Japanese drive will end in failure if the Allied forces put up resistance. There is no ground for concern.

Q. If the Allied forces put up resistance?

A. (By interpreter) I should have said "judging by the resistance of the Allied forces".

Q. On March 6 DOKKI reported an important military conference at Peiping of puppet and Japanese military commanders. The first name listed is that of General FANG Ping-han. Earlier Chinese statements said that General Fang had been captured and taken against his will. Can the spokesman give us further information regarding the status of General Fang?

A. (After pretensed consultation between the spokesman) The matter has been dealt with by the military spokesman in another conference. General Fang's name has been omitted by the Japanese for propaganda purposes.

October 22/52

SECRET

Chubb 14.270

## ROUTING AND RECORD SHEET

ROUTING BOARD  
(H. Asia)

Accession No. 51655-328

Date Rec'd. SA. 10/2/54

To	Room No.	Date		Officer's Initials	Comments
		Rec'd.	Fwd'd.		
1. General Donovan	125 Administration Bldg.				For your information and retention.
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

Each comment should be numbered to correspond with number in To column.  
A line should be drawn across sheet under each comment.

Officer Designations should be used in To column.

Each Officer should initial (check mark insufficient) before further routing.

Action desired or action taken should be indicated in Comments column.

Routing sheet should always be returned to Registry.

For Officer Designations see separate sheet.

SECRET

#31456

*Chinese 14,270*  
*x Hsia, Dr. C. L.*  
*x Agencies*  
*x Central*

28 March 1944

**SECRET***B-3*

SUBJECT: Control of Chinese Agencies Abroad

Dr. C. L. Hsia is seriously embarrassed and rather exercised by a report which he received indirectly through Mexico that all Chinese agencies abroad would henceforth come under control of their respective embassy, legations, and consulates. In the game of politics, Dr. Hsia's position has been strong because of the fact that he is independent of local jurisdiction, interference and meddling. His personal status has been superior to that of Consul General James Yu of New York City. This latest order, if correct, changes the entire situation, and there is a possibility that, if any meddling actually occurred, he might feel compelled to resign his present position as Director of the Chinese News Service.

The order also means that such agencies as China Defense Supplies, Universal Trading Corporation, etc., might also be placed under the control of the embassy and consulates. In view of the fact that some of these Chinese Government agencies have been organized by Dr. H. H. Kung, whereas T. V. Soong is the Foreign Minister, it appears likely that a nasty political embroglio might develop.

The significant feature is that the alleged order was issued by the Executive Yuan, which is superior to the ministries. Dr. Hsia heard about the report from his branch manager in Mexico City, Chen Yih. On 23 March 1944, Dr. Hsia wrote to Minister Liu Chieh as follows:

"I have just received a letter from Chen Yih in Mexico City enclosing a copy of an Executive Yuan order dated 13 October 1943 to the effect that all Chinese agencies abroad should come under the control of respective embassies, legations and consulates. Mr. Chen Yih has asked for my directions concerning this order. I have no doubt your embassy might have sent me a similar order for my edification but somehow you have not done so, possibly to save paper or my feelings. Will you kindly advise me as to the interpretation of this order so that I may be guided in my reply to Chen Yih and possibly Yui Ming."

**SECRET**

US, FMT 4001

## OSS SECRETARIAT - ROUTE SLIP

To	Name	Date	Initials
✓	O. C. Doering, Jr.	4/29/44	OC
	C. A. Bane		
✓	J. B. Donovan		CAB
	D. C. Lee		
	G. S. Platt		GP
	P. F. Pugliese		
✓	E. J. Putzell, Jr.		P
	A. W. Sulloway		
✓	R. Thrun		
	Files		h r

(2-6-44)

To: Secretariat: ..... 4/29/44.....  
Detailed matters like this should  
never be sent to JCS. It is only  
grist in the mill of R & A for reflec-  
tions in studies.

*JM*

John Magruder, Brig. Gen.  
Deputy Director, OSS — Intelligence Service  
(8536)

OSS Form 4151

**SECRET**Date 26 AprilTo: LT. PUTZELL

Could you let General  
Magruder's office know that Colonel  
Buxton does not think this report  
is sufficiently important to send to  
the JCS.

*[Signature]*  
O. C. A., Jr.

*Checkly State  
has this*

Office of the Executive Officer

**SECRET**

(30449)

**SECRET**

*Handwritten: 14 April 1944  
Kates Report*

General Magruder

6 April 1944

William L. Langer

Recent cables have indicated that the Chinese National Government is opening a political offensive against the Chinese communist elements. I think it is, therefore, of some interest to have a copy of one of the War Directives which have already been issued. The attached Directive was forwarded to us from Chungking by Mr. Kates, the representative of the Interdepartmental Committee, and is a good reflection of the excellent work he is doing in China. A copy of this Directive has been sent to the State Department by the Interdepartmental Committee, but I think you might well want to bring it to the attention of the Joint Chiefs of Staff. Any further suggestions as to its distribution will be appreciated.

William L. Langer  
Director, Branch of  
Research and Analysis

**SECRET**

Dispatch (Chungking-Organization, No. 38) (War-Directive, No. 618) dated December 1943 released by the Organization Ministry of the Central Executive Committee of Kuomintang.

**SUBJECT: SECRET -- ESSENTIAL POINTS TO BE FOLLOWED BY THE BRANCHES AND JERARHS OF KUOMINTANG IN THE WORK OF GUARDING AGAINST AND RESTRICTING THE ACTIVITIES OF THE CRAFTY FACTION.**

The Headquarters of Kuomintang has learned from confidential sources that the latest policies of the crafty faction is to use the so-called "people's movement," "people's democracy," "people's training," and other methods to attain the aims of enlarging its party, increasing its political activities and expanding its army. It is also learned that before the war is ended, the crafty faction will agitate chaos in an attempt to revolt against the nation, to control political power, etc. All branches of Kuomintang should be extremely cautious and clearly recognize that this is a problem affecting the security of the country and the success of our Party. As to the work of guarding against and restricting the activities of the crafty and puppet faction, we should not depend solely on the efforts exerted by comrades who are doing investigation work. We should mobilize all members to shoulder the duties required by the Revolution; lead and struggle together with the people to a sure victory in this war of resistance. For this reason, the following scheme of essential work is prepared in order to meet the challenge of the intrigues of the crafty faction:

- A. In connection with Propaganda Literature and Education:
  - 1) Make use of the principle implied in the saying "Attack your shield with your own javelin"; gather factual data to prove how the crafty faction has deserted the people, committed illegal activities and performed acts of violence; disclose its intrigues and attempts at disturbances; launch the "guard against the crafty faction" propaganda movement.
  - 2) Follow the formula of Tung-hsiang-hui (district association) and Tsu-chih-hui (self-government association) and similar student organizations to secretly organize Party and Corps groups in schools in order to improve the function of the Party and the Corps; initiate the organization of Three People's Principles Study Groups and Political Problems Discussion Groups to strengthen the students' recognition of the Three People's Principles and their correct understanding of current events so as to guard against the activities and propaganda of the crafty and puppet faction.
  - 3) Mobilize comrades in the cultural circles to publicize literature relating to the intrigues of the crafty and puppet faction through newspapers, periodicals and other forms of publication so as to warn the people from being persuaded and fooled by the crafty faction.
- B. In connection with Political Activities:
  - 1) Mobilize the masses of the people residing near the areas



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**SECRET**

controlled by the crafty faction (especially in the country, towns, "pao" and "chia" communities) to organize secretly the "guard against the crafty faction" groups and to execute the work of investigating and gathering of information.

- 2) Mobilize every member of the Party to institute an "individual conversion" movement among relative and social connections to induce members of the crafty faction to withdraw their memberships; have these members who are already converted to continue this "individual conversion" method to influence other members in the crafty faction. This will fulfill our Party's obligation toward education for those who have wandered away to have a chance to return to the fold.
- 3) Members of the crafty faction who have not publicly made known the fact that they have joined our Party may have the permission of their superior to go back to the crafty faction to cause confusion and attempt to disrupt its organization. These activities will be supervised and directed by the member who first induced these converts to withdraw from the crafty faction. In case their activities are discovered by the crafty faction, they should combine together and publish an announcement declaring that they have already withdrawn from the crafty faction, thus making it politically significant. These people should be given proper positions in our Party.

#### C. In Connection With Military Activities:

- 1) Instigate farmers and laborers to set up an anti-induction movement in order to guard against an expansion of the Army of the crafty faction and to lead those able-bodied inductees who were forced to join to escape with their guns either back to their own villages or to areas garrisoned by the National Army.
- 2) Send loyal and brave members of our Party to attend military schools of the crafty faction. They shall afterwards make use of the opportunity of their assignments to contact and promote relations with the soldiers, to instigate soldiers to withdraw their memberships from the crafty faction and to influence these soldiers to join the National Army.
- 3) Arm the masses of people in guerrilla areas where there is no National Army; instigate and "defend the village" movement; use the slogans "resist the enemy for self-protection" and "fight the bandits for the protection of the village;" organize the people who are armed to guard against territorial occupation or interference by the armed forces of the crafty faction; make use of every opportunity to

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attack the crafty faction and complete coordination between haïen, villages and "pao" and unify their actions so as to assure the success of the work mentioned above.

- 4) Use every means available to increase the work of "fighting the crafty faction" in nearby areas garrisoned by the puppet and crafty armies.
- 5) Start the work of "fighting the bandits" in every place the National Army is able to reach; destroy all military establishments of the army of the crafty faction; use the "guard against the crafty faction" organizations to investigate and supply crafty information and show the way for the National Army to advance.

**D. In Connection With Economic Activities:**

- 1) Initiate the organization of "economic shock troops" consisting of farmers and laborers; plan the destruction or gain control of military storage and transportation centers of the crafty faction.
- 2) Organize business men not to trade and not to cooperate with the crafty faction in order to attain the goal of an economic blockade.

The scheme of work of guarding against the activities of the crafty faction as mentioned above should be carried out in accordance with the special conditions existing in different areas. The "Outline of Discussion on How to Strengthen the Work Against the Crafty Faction" previously released should also be discussed to make the work impressive and efficient.

Report date and acknowledge receipt of this document.

Central Organization Ministry (SEAL)

(Document No. and date as above)

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OFFICE OF STRATEGIC SERVICES  
WASHINGTON 25, D. C.

14/024 A  
*14/024 A*  
**SECRET**  
*Y. C. Lee*  
*14/024 A*

15 May 1945

TO: General Donovan

As requested Mr. Martin's and Lt. Shaughnessy's memorandum has been prepared for transmittal to the President. A one-page summary is attached together with a memorandum of transmittal for your signature.

*Duncan C. Lee*  
Duncan C. Lee,  
Major, AUS

Attachments

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15 May 1945

TO: General Donovan

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Major, AUS

Attachments

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14/0 24/19

*China*  
*economic*  
*inflation*

Brig. General George Olmstead  
30757 Pentagon Building  
Washington, D. C.

MAY 14 1945

My dear General Olmstead:

I am sending you herewith a paper prepared by our Research and Analysis and Secret Intelligence Branches on the subject of the present crisis in the Chinese economy. This paper was prepared after a discussion with most of the men in Washington who are considered to be really well informed on the subject. Its conclusions represent, we believe, the best available opinion here.

We have also asked our SI and R & A men at Kuning to prepare a similar study on the basis of information available to us in the Theater which they will send to you direct. We will also forward any additional information which may develop here.

Yours sincerely,

William J. Donovan  
Director

Enclosure

*Recent Inflationary Trends in China*  
*(did not send summary & attached)*

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*Page 44 A*  
*China*  
**SECRET**

*x economy*  
*x inflation*

15 May 1945

Miss Rose Conway  
The White House  
Washington, D. C.

Dear Miss Conway:

I am attaching a memorandum on Chinese  
inflation, which I think will be of interest to  
the President. Will you please see that it reaches  
his desk.

Thank you.

Sincerely,

William J. Donovan

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SECRET CONTROL

15 May 1945

## MEMORANDUM FOR THE PRESIDENT

I am transmitting herewith a report on the Chinese inflation which this Agency was requested to make. This impartial survey by our experts is based upon overt and clandestine investigations here and in China, and may be of assistance to you at the present time when the problems of the Chinese economy are receiving so much attention.

William J. Donovan  
Director

Attachment

*Recent Inflationary Trends in China  
and Summary.*

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## RECENT INFLATIONARY TRENDS IN CHINA

(SUMMARY)

Chinese prices for a period of seven years increased at an average rate of approximately 10% per month. During the last three months, however, they have been increasing at a rate of 30% per month. As a result of these price increases, it has been necessary to issue more Chinese currency and inflation in China is reaching the "galloping" stage.

While there have unquestionably been many instances of individual manipulations—hoarding, maladministration, and other practices—which have contributed to inflation, there is no reason to believe that these practices have increased in recent months and our investigation indicates that it is unlikely that there has been any organized campaign by any political group in China to bring matters to their present stage. Likewise, there is no evidence to support the view that there has been manipulation by the Chinese Government in order to effect American policies with respect to imports, expenditures and related matters.

One of the major causes of the recent price changes was the disappointment in China after the announcement that the Stilwell Road will carry only military supplies. The capture by the Japanese of important producing areas and the increased expenditures of the American Army in China have also contributed to the inflation.

It is unlikely that gold shipments to China will bring about any permanent change in the situation although they may create a general beneficial atmosphere of confidence in the currency and have a temporary effect on prices if the sale of gold is properly managed. On the other hand, substantial shipments of textiles to China will obviously help the situation and will do some real good for the Chinese. The Chinese WFP can help by devoting more of its productive facilities to civilian goods since military goods for the Chinese Army are more likely to be available in the United States than civilian goods for the Chinese people.

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## RECENT INFLATIONARY TRENDS IN CHINA

I. The Problem

This inquiry is directed at information available to OSS in Washington on the causes of the recent rapid increase in price levels in Free China and an explanation of certain proposed remedies in the light of these causes.

II. The Situation

For a period of several years Chinese prices have been increasing at an average rate of approximately 10% per month. Although there have been substantial variations in the rate of increase from time to time, there is no previous period in which the rate achieved in the past three months of 30% per month has been equaled. On one or two occasions an increase of this magnitude took place for a relatively short period, as for example, in the winter of 1944, but the present rise is a more sustained one and gives every evidence of continuing. It follows a period of nearly five months of relative price stability.

This discussion is in terms of Chungking wholesale prices. In rural areas the fluctuations have been much less wide and the increase much less rapid. On the other hand, in some urban areas, particularly places like Kunming which are a center of military operations, the increases have been far sharper. There are also wide variations in the rate of increase for different commodities, with the steepest price rises shown for clothing and for foods used by American troops, such as meat and poultry and dairy products.

As a result of these price increases and of the general fiscal policies of the Chungking Government, the currency issue has rapidly expanded, and it is now estimated at something in the neighborhood of \$75 billion CK. This increase in currency has been necessary to meet a constantly widening budget deficit. Five months ago the deficit for 1945 was

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estimated at 80 billion CN; price increases since that time have been at such a rate that the deficit for 1948 is now estimated at between 250 and 300 billion CN. This will require a doubling of the currency issue in this calendar year.

### **III. Causes of the Recent Rapid Price Rise**

CSS has utilized all the sources available to it in Washington, both clandestine and overt, to collect information on the possible causes of the recent rapid rise in the rate of price increases. It has discussed this problem with the following persons, among others: General Olmstead; Mr. Shoemaker of the Chase National Bank; Solomon Adler, Treasury attaché to the American Embassy in China; Leon Henderson, financial advisor to the Chinese Government; Oliver Lohmhart, advisor on Far Eastern finances to the State Department; Arthur Young, financial advisor to H. H. Kung; T. V. Soong, Acting President of the Executive Yuan; Tsuyee Pei, managing director of the Bank of China; James Jacobson, former assistant chief of the Nelson Mission to the Chinese Government; Joseph Gould, recent special representative in China of Lauchlin Currie; Whiting Willauer, director of the Far East and Special Territorial Branch of the Foreign Economic Administration.

Our investigations will be continued and further results reported.

In addition, a cable has been sent to the China Theater and a report is being prepared there which will be sent directly to the Theater Headquarters.

Both those interviewed and the members of the CSS staff who have the most experience and knowledge of the subject are in substantial agreement on the causes of the recent trends.

While there have been unquestionably many instances of individual manipulations, hoarding, mal-administration, and other practices which have contributed to the present inflationary situation, there is no reason to believe that these have been substantially more prevalent in recent months than in the past, nor is there any evidence to support the suggestion that the recent price rises have been the result of an organized campaign to accomplish this on the part of any political group. It is not believed that factions

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within China have used this means of attacking each other, nor is there evidence to support the view that there has been manipulation by the Chinese Government in order to affect American policies with respect to imports, expenditures, and related matters.

In addition to the absence of evidence of willful intent to create such a situation on the part of any group in China, the most important single fact is the complete explanation for price increases of almost any scale in the facts of Chinese currency and production relationships. The most difficult problem is not why prices started shooting up when they did, but why this "galloping" inflation has not occurred much sooner.

There are numerous reasons why the timing of recent price changes followed the course it did: the leveling off in the fall of 1944 resulted from a combination of factors, including the harvesting of good crops; the anticipation that the war in Europe would soon be over and resources thus released for the Pacific war; the opening of the Stilwell Road and the expectation that civilian commodities would soon flow over it in quantity; the frantic desire on the part of those in the path of the Japanese drive toward Kunming, particularly in overrun Kweichow, to exchange goods which they could not carry with them in their flight for currency which they could, a tendency which penetrated even as far as Chungking. All these factors combined to create an optimistic point of view toward Chinese currency and prices leveled off.

In the first two months of 1945 many of the above factors were reversed and in combination with certain other developments, the whole attitude of the Chinese people toward their currency changed from one of relative optimism to one of considerable pessimism. The impact of these changed conditions was undoubtedly heightened by the previous months of optimism and resulted in a sharp break in the price structure.

The changed conditions which were responsible for bringing this about included: the stabilization of the Japanese front with the result that refugees stopped dumping goods and again sought to exchange currency for food, clothing, and other objects with a more permanent value; the Japanese advances not only deprived the Chinese of a number of important production areas and the important trading center of

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Medals but also had the effect of cutting off important channels by which goods had come into Free China from the occupied areas, thus tightening the blockade; the Ardennes break-through made it clear that the war in Europe would not be over soon and postponed the prospects of an American landing; the decision to ship only military goods over the Stillwell Road became generally known, cutting off this prospective source of relief; American expenditures in China increased as the Stillwell Road and air transportation over the Hump permitted an expansion of American military activities there; and a number of specific critical situations developed, particularly in cotton textiles, where the raw cotton shortage became unusually acute due in part to preclusive buying by the Japanese of cotton normally becoming available from the occupied areas.

During all of this period normal processes of financing budget deficits by putting out large volumes of currency was continuing and with the sharp rise in prices was accentuated, as there was no corresponding rise in tax or other income. A minor contributing factor to increased deficits was the activity of the Chinese War Production Board which, by arranging for larger war production, required increased government purchases of military equipment.

There are no apparent factors in the internal situation which might be expected to slow down of themselves this "galloping" inflation. Some alleviation may occur when the new crops come in. Some help may be derived from new fiscal policies, though the latter seem even more uncertain than the crop prospects.

Apart from an American landing and its psychological impact upon the Chinese people, there seem to be no measures available within the limits of the present transportation capacity which can do more than slow or perhaps halt temporarily present tendencies. Alleviation might be secured from imports of goods. The principal items suggested have been gold, cotton textiles, and trucks. The trucks are mostly significant as a means of securing better distribution of the available goods and would be in general a secondary factor, unless arrangements can be made for delivering substantial quantities of civilian goods to Kweichow.

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The impact of substantial gold shipments, perhaps something like 100 to 150 tons within the next few months, is extremely difficult to assess. Viewed simply as a valuable commodity which hoarders would want to purchase, it might soak up substantial quantities of currency, or it might be used to reduce the volume of currency required to meet budget deficits, but in neither case does it represent any permanent contribution to the problem of a rapidly expanding currency issue and a contracting supply of consumer goods.

The indirect consequences of gold shipments may be of several kinds. The availability of gold may reassure the moneyed interests that they will reduce their holdings of hoarded goods and help to create a general atmosphere of confidence in the currency. On the other hand, they may, so long as they know gold can be purchased when they want it, reduce their gold holdings in order to have more currency for current business, primarily loans.

General availability of gold may spread confidence sufficiently widely to induce large scale return of currency to banks, which if held there, would be a valuable deflationary influence. In general, the issue is one of the degree to which the restoration of confidence in the ability to purchase gold when it is wanted will be sufficiently wide-spread to bring into the market substantial quantities of goods and to return to the banks or the government substantial amounts of currency. This might have a sufficiently strong salutary effect to hold the line until a landing takes place. On the other hand, it must be noted that sale of gold by the government, particularly as bars, may affect only a highly selected circle of insiders with primarily speculative interests.

Although textiles are, of course, much bulkier per unit of value, they have the advantage of more wide-spread penetration and of doing some real good for the Chinese. They may for this reason create a wider feeling of confidence. The principal difficulties, however, are the problems of arranging for prompt delivery in China and of insuring that once they get to China they are widely distributed and neither hoarded nor delivered to a narrow circle of consumers.

It is possible that the new interest of the Chinese WPK in the textile situation may help the latter

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situation. It is possible that if sufficient recognition is given to the seriousness of the Chinese situation, a series of allocations can be made by which Indian textiles can be delivered promptly to Hongkong, to be replaced by British or American textiles at a future date. Such a program will, of course, conflict not only with the urgent needs of India and the urgent requirements of the British for Burma to restore their position there, but also with the claims being made for Europe by many persons high in the United States Government. Nevertheless, this is a step which is worth most careful consideration and would probably justify active support by the Army for military reasons.

A further step which might be considered, if it is deemed likely that the relief through shipment of goods to an American beachhead will not eventuate within the next six to twelve months, would be to reorient the program of the Chinese WFB. It can well be argued that a greater contribution would be made to the defeat of Japan by increasing the production of civilian goods than by increasing the production of military goods. The energies of the Chinese WFB devoted entirely to civilian goods production would contribute to the meeting of a more critical world shortage than if devoted to military production. Since V-E Day our worst shortages are in civilian goods; we have surpluses of the types of military equipment which the Chinese can manufacture.

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OSR Form 2262

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## ROUTING AND RECORD SHEET

FROM:

Accession No. ....

Date Rec'd SA .....

To	Room No.	Date		Officer's Initials	Comments
		Rec'd	Fwd'd		
1. <i>BK</i>	<i>1037</i>			<i>H. M. B.</i> <i>mt</i>	<i>a copy already sent to chg's</i>  <i>✓</i>
2. <i>Chief</i> <i>SI</i>					
3. <i>Director</i> <i>088</i>				<i>LSD</i>	
4.					
5.					
6.					
7.					
8.					
9.					
10.					

Each comment should be numbered to correspond with number in To column.  
A line should be drawn across sheet under each comment.

Officer Designations should be used in To column.  
Each Officer should initial (check mark insufficient) before further routing.

Action desired or action taken should be indicated in Comments column.  
Routing sheet should always be returned to Registry.

For Officer Designations see separate sheet.

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## Office Memorandum

**SECRET**

UNITED STATES GOVERNMENT

14.024

TO : General Donovan  
 FROM : Japan-China Sec., FMSI

DATE: 5 May 1945

SUBJECT: Recent Economic Deterioration  
 of Free China

1. Several days ago you requested me to investigate reports that in recent months there has been a markedly accelerated deterioration of the economy of Free China.

2. The following steps have been taken.

(a) A cable has been dispatched to Col. Helliwell in China requesting him to supply immediately the latest information available on this subject. No information has been received as yet from Col. Helliwell in response to this cable.

(b) Col. McHugh, SI; Lt. Shaugnessy, SI; and Mr. Edwin Martin of R & A have pooled their resources and contacts, and have collaborated in the attached memorandum by Col. McHugh in which all of us concur. This memorandum was drawn after talks by Col. McHugh, Lt. Shaugnessy and Mr. Martin with a number of knowledgeable U.S. and Chinese officials in Washington including Mr. Sel. Adler, Special Treasury representative in Chungking; Mr. James Jacobsen of the Nelson mission; Mr. Willemer of FMA; Mr. Tzu Yee Pei, General Manager of the Bank of China; Mr. Oliver Lockhart of the State Department and Leon Henderson.

3. All information which we can find agrees that the present crisis is not due to any significant degree to deliberate market manipulation, or similar malfeasance.

4. Further information may be available upon the return of Mr. Soong next week. We can also, if you desire, put certain questions indirectly to Dr. Hsing.

5. We understand that you may wish us to discuss this matter further with General Chennel. We await your instructions on this point.

*James G. Lee*  
 James G. Lee, Maj. ADM  
 Chief, Japan-China Sec.,  
 Far East Division, SI

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